

# Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005

**The Public School &  
The Non-Teacher School Employee**



**M. Steve Yoakum**  
Executive Director

**Prepared by:**  
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# Mission Statement

**The Public School Retirement System of Missouri and the Non-Teacher School Employee Retirement System of Missouri (PSRS and NTRS)** work in partnership with the member school districts of this state to provide eligible employees and their beneficiaries with a significant source of income based on the employee's length of service and compensation in order to enhance retirement, disability and death benefits received from other sources.

It is the fiduciary responsibility of those charged with administration of PSRS and NTRS to:

- effectively collect contributions,
- prudently invest the assets to obtain optimum returns,
- equitably provide benefits, and
- impartially and in accordance with applicable law administer the benefit programs.

The Board of Trustees and staff are committed to providing services to the members and beneficiaries professionally, promptly, courteously, and efficiently.

## Mission Statement Principles

- We will conduct the business of the Retirement Systems in accordance with the mission statement.
- We will act as fiduciaries in the management of all funds for the exclusive benefit of our members.
- We will adhere to our investment policy to ensure the highest possible investment return consistent with the prudent investment of plan assets.
- We will have as our goal the replacement of 80% of a member's final average salary after a 30-year career through the combination of income from public pensions and, where applicable, the federal Social Security system.
- We shall have as our goal the retention of purchasing power of the initial retirement benefit through the retirement years.
- We will maintain an independent retirement system that retains the power of the trustees to set actuarial assumptions, appoint consultants, employ staff, establish a budget and conduct all business of the retirement systems.
- We will prepare and distribute an annual financial report that adheres to generally accepted accounting principles.
- We will provide prompt, courteous and accurate service to our members.
- We will provide clear and complete information to the members and the districts through the use of a summary plan document, newsletters, an annual member account statement and any other documents deemed necessary.
- We will adhere to the highest standards of ethical conduct.

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# Board of Trustees

As of June 30, 2005



**Peggy Preston, Chair**  
Elected PSRS Member  
Term Expires 6/30/08



**Cheryl Boggess, Vice-Chair**  
Elected PSRS Member  
Term Expires 6/30/06



**J. Richard Franklin**  
Appointed Retired Member  
Term Expires 6/30/07



**John Kruse**  
Appointed Member  
Term Expires 6/30/06



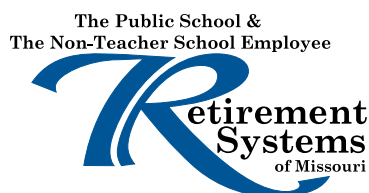
**Jonece Nodler**  
Appointed Member  
Term Expires 6/30/09



**Phil Wright**  
Elected PSRS Member  
Term Expires 6/30/08



**Tina Zubeck**  
Elected NTRS Member  
Term Expires 6/30/06



December 1, 2005

**TO: Board of Trustees and Members of the Retirement Systems:**

I am pleased to present the *Comprehensive Annual Financial Report* of the Public School Retirement System of Missouri (PSRS) and the Non-Teacher School Employee Retirement System of Missouri (NTRS) for the fiscal year ended June 30, 2005. The management and staff of the Systems are responsible for the accuracy and completeness of this report and for ensuring that all material disclosures have been made. To the best of our knowledge, the information presented is a fair and accurate portrayal of the financial position and operations of PSRS and NTRS as of June 30, 2005.

***Report Contents***

This report is presented in five sections:

- The Introductory Section contains general information about the Systems;
- The Financial Section contains the independent auditors' report, management's discussion and analysis of the financial statements, the financial statements and related notes, and required supplemental schedules;
- The Investment Section contains a summary of the investment activities during the year, including investment performance;
- The Actuarial Section reports the funded condition of both Systems, including a summary of major actuarial assumptions; and
- The Statistical Section contains general information concerning members, benefit recipients and finances.

***Overview of the Retirement Systems***

The Public School Retirement System of Missouri, a cost-sharing multiple employer retirement system, was established in 1946 by an act of the Missouri legislature to provide retirement, disability and death benefits to full-time, certificated employees in the public schools and four-year regional universities. It has been amended to include part-time certificated employees of public schools and no longer accepts new employees of the regional colleges and universities.

The Non-Teacher School Employee Retirement System of Missouri, also a cost-sharing multiple employer retirement system, was established in 1965 by an act of the Missouri legislature to provide retirement, disability and death benefits to non-certificated school employees in the public schools, community colleges and junior colleges who have elected to join the System.

***Financial Information***

The Systems' financial statements are prepared in accordance with generally accepted accounting principles (GAAP) within the guidelines established by the Governmental Accounting Standards Board (GASB). A system of internal controls is in place to help monitor and safeguard assets and promote efficient operations. An independent certified public accounting firm selected by the Board of Trustees performs a financial audit each year. In addition, the Systems employ an internal auditor who performs operational reviews to ensure that the internal controls are functioning effectively.

Please refer to the Management's Discussion and Analysis on pages 18 through 22 for an overview of additions to and deductions from the plans for the fiscal year.

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**FAX Numbers:** Membership (573) 634-7934; Investments (573) 634-6248; Employer Services (573) 634-7911; Administration (573) 634-5375

[www.psrs-ntrs.org](http://www.psrs-ntrs.org)



## ***Investment Activities***

The overall investment return for the fiscal year was 9.2% for the Public School Retirement System (PSRS) and 9.3% for the Non-Teacher School Employee Retirement System (NTRS). Our relatively conservative asset allocation provided returns that exceeded our assumed rate of return of 8%, but trailed our peers of large institutional pension systems that employed more aggressive asset allocations.

The Board of Trustees governs the investment process by adopting investment policies and objectives, which define the Systems' strategic investment initiatives, and by monitoring performance to measure the results. The PSRS/NTRS Investment Policy, adopted by the Board and amended as needed, has specific guidelines for performance expectations, eligible holdings and portfolio characteristics. The key to determining investment strategy is asset allocation, a crucial decision made by the Board after consideration of expected returns for asset classes within the context of risk tolerance for the Systems. Internal staff, with the advice of outside consultants, is responsible for implementing and monitoring this strategy. To increase expected returns, the Systems recently made changes to the asset allocation strategy to focus on assets with higher expected returns and more active management.

Additional detailed information regarding the PSRS and NTRS investments can be found in the Investment Section of this report.

## ***Funding Status***

PSRS and NTRS are defined benefit retirement systems. This means that a formula made up of credit (years of service) times final average salary, times a multiplier (2.5% for PSRS and 1.61% for NTRS) determines each member's retirement benefit. The actuarial accrued liability is calculated for each System using the plan provisions in effect at the time of the calculation. Actuarial assumptions used in the calculation are recommended by the Systems' outside actuary and are based upon prior experience of the plans.

To determine the relative health of the Systems, the actuarial accrued liability is compared to the actuarial value of assets to arrive at a funded percentage. As of June 30, 2005, PSRS was 82.7% funded, while NTRS was 83.3% funded. This is a slight increase from the June 30, 2004 funded ratios of 82.0% for PSRS and 82.7% for NTRS.

The actuarial value of assets was determined using a "smoothing" method that requires all gains (earnings in excess of 8%) and losses (earnings below 8%) to be recognized over a five-year period. Because of this methodology, only one-fifth of the 2005 gains in excess of 8% have been recognized as of June 30, 2005.

During the 2005 fiscal year, the contribution rates collected by the Systems were insufficient to fund the normal costs of the Systems plus amortize the unfunded actuarial accrued liability within a 30-year period. The annual required contribution rates for 2005 were 27.76% for PSRS and 12.56% for NTRS. The contribution rates collected were 22% for PSRS and 10.5% for NTRS.

Based upon the June 30, 2005 actuarial valuations, the annual required contribution rates for fiscal year 2006 were determined to be 27.78% for PSRS and 12.60% for NTRS. The Board of Trustees set the fiscal year 2006 contribution rates at 23% for PSRS and 11% for NTRS. The approved rates were set in accordance with the annual contribution rate increase limits set forth in state statute. The fiscal year 2007 rates have been set at 24% for PSRS and 11.5% for NTRS. The contribution rates will continue to rise each year until the rates collected are equal to the annual required contributions as determined by the actuary.

## ***Legislative Changes During 2004-2005***

House Bill 443 was passed during the 2005 legislative session. The major provisions of this bill are summarized below:

- Credit purchase opportunities were expanded to include non-federal public employment and Social Security covered employment.
- To more accurately reflect the actuarial value of purchased credit, the method of calculating the cost of credit applied for, but not yet paid, will now have the cost of the credit recalculated each year based on the member's highest salary

on record and the current contribution rate.

- A statutory succession of beneficiaries was implemented to better protect survivors in a situation where a member never completed a designation of beneficiaries, or did not update his or her designation following a change in life status (i.e. marriage, divorce, birth of a child, etc.).
- The name of the Non-Teacher School Employee Retirement System (NTRS) was changed to the Public Education Employee Retirement System (PEERS).
- The expiration date of the 2.55% formula factor for PSRS members retiring with 31 or more years of service credit was changed from June 30, 2008 to July 1, 2008 allowing qualifying PSRS members to retire with an effective retirement date of July 1, 2008 and still receive the 2.55% benefit formula.

### ***Awards***

#### **Certificate of Achievement for Excellence in Financial Reporting**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to PSRS and NTRS for the *Comprehensive Annual Financial Report* for the fiscal year ended June 30, 2004. The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of state and local government financial reports. To be awarded the Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR with contents that meet or exceed program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for only one year. We believe our current report continues to meet the Certificate of Achievement program requirements and are submitting it to GFOA for consideration again this year.

#### **Public Pension Coordinating Council (PPCC), Public Pension Standards Award**

The Systems also received the PPCC Public Pension Standards Award in 2004 in recognition of meeting the professional standards for plan design and administration as set forth in the Public Pension Standards. This award is presented by the PPCC, a confederation of the National Association of State Retirement Administrators (NASRA), the National Conference on Public Employee Retirement Systems (NCPERS), and the National Council on Teacher Retirement (NCTR).

### ***Professional Services***

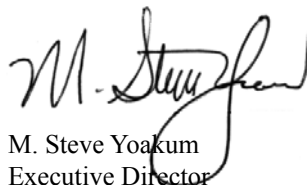
Certain professional services are provided to the Systems by retained consultants. The required opinion letters from two of those consultants, Gabriel, Roeder, Smith & Company, actuaries, and Williams Keepers LLC, independent certified public accountants, are contained elsewhere in this report.

Investment consulting services, as well as investment manager search assistance and investment performance analysis, have been provided by Russell Investment Group of Tacoma, WA.

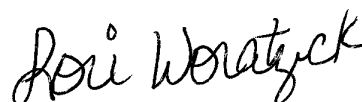
### ***Acknowledgements***

We would like to express our thanks and gratitude to the Board of Trustees, staff, and consultants who have worked diligently to produce this report and to ensure the successful operation of the Systems.

Respectfully submitted,



M. Steve Yoakum  
Executive Director



Lori Woratzeck, CPA  
Chief Financial Officer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

The Public School Ret. System  
of Missouri and the Non-Teacher  
School Employee Ret. System

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Nancy L. Ziehl*

President

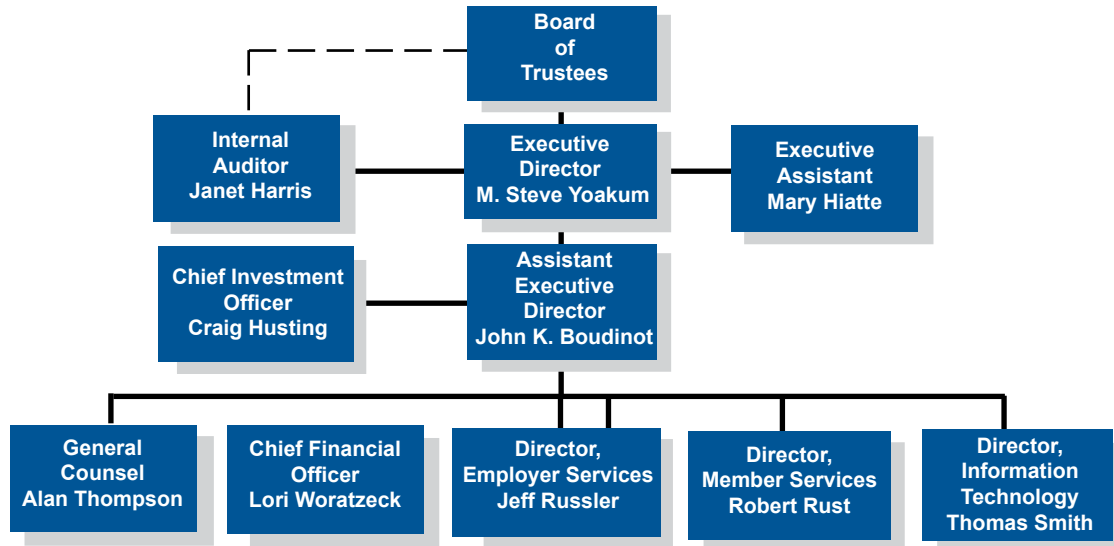
*Jeffrey R. Emer*

Executive Director



## Administrative Organization

June 30, 2005



Pictured front row from left to right: John K. Boudinot, Assistant Executive Director; M. Steve Yoakum, Executive Director; Mary Hiatte, Executive Assistant; Middle row from left to right: Lori Woratzeck, Chief Financial Officer; Janet Harris, Internal Auditor; Back row from left to right: Craig Husting, Chief Investment Officer; Robert Rust, Director, Member Services; Thomas Smith, Director, Information Technology; Jeff Russler, Director, Employer Services; and Alan Thompson, General Counsel.

## Professional Services

June 30, 2005

### Actuary

**Gabriel, Roeder, Smith & Co.**

Actuaries and Consultants  
Norman S. Losk, F.S.A.  
Alex Rivera, A.S.A.  
Roseville, California

### Auditor

**Williams Keepers, LLC**

Michael J. Oldelehr, CPA  
Anita Brand, CPA  
Jefferson City, Missouri

### Computer Consultants

**Catalyst Group**

Michael Thibault  
Lenexa, Kansas

**Conquest, Inc.**

Michelle Drolet  
Holliston, Massachusetts

**eVerge Group**

Brent Benn  
Plano, Texas

**eVisory**

Dan Elam  
Richmond, Virginia

**Huber & Associates**

James Huber  
Jefferson City, Missouri

**Mitten Software**

Jim Morgan  
Minnetonka, Minnesota

**Total Network Integration**

Kirt Dunwoody  
Jefferson City, Missouri

### Insurance Consultant

**Charlesworth & Associates**

Bob Charlesworth  
Overland Park, Kansas

### Legal Counsel

**Thompson Coburn**

**Attorneys at Law**  
Allen Allred  
St. Louis, Missouri

**Blackwell Sanders Peper**

**Martin, LLP**

Michael R. Annis  
St. Louis, Missouri

### Legislative Consultant

Jack Pierce  
Jefferson City, Missouri

### Medical Advisor

Andrew Matera  
Columbia, Missouri

### Investment Management Consultants\*

**Russell Investment Group**

Michael Hall  
Rachel Carroll  
Tacoma, Washington

**Pathway Capital Management**

Doug LeBon  
Curt Gerlach  
Irvine, California

**The Townsend Group**

Terry Ahern  
Linda Assante  
Cleveland, Ohio

### Master Trustee/Custodian\*

**State Street Bank and Trust Company**

R. Scott Paton  
Steve Davies  
Boston, Massachusetts

### Investment Advisors\*

**AllianceBernstein Institutional  
Investment Management**

Scott Wallace  
Giulio Martini  
Elizabeth Smith  
New York, New York

**Analytic Investors, Inc.**

Harindra de Silva  
Katie W. Koehler  
Los Angeles, California

**AQR Capital Management**

Robert Krail  
David Kabiller  
Greenwich, Connecticut

**Aronson & Johnson & Ortiz, LP**

Ted Aronson  
Martha Ortiz  
Philadelphia, Pennsylvania

**BlackRock Financial Management**

Andy Phillips  
Robert Capaldi  
New York, New York

**BPI Global Asset Management**

Dan Jaworski  
Ryan Burrow  
Orlando, Florida

**Bridgewater Associates**

Raymond Dalio  
Tom Bachner  
Westport, Connecticut

**Chartwell Investment Partners**

Edward Antoian  
David Dalrymple  
Timothy Riddle  
Berwyn, Pennsylvania

**Citigroup Asset Management**

Aquico Wen  
Alan Fressle  
London, England

**Duncan-Hurst Capital Management**

Robert Marren  
Frank Hurst  
San Diego, California

**Goldman Sachs Asset Management, L.P.**

Robert Jones  
Doug Angstrom  
New York, New York

**INVESTCO Global Asset Management**

Erik Granade  
Lori McDermott  
Atlanta, Georgia

(continued)

## Professional Services *(continued)*

**Jacobs Levy Equity Management**

Bruce Jacobs  
Jeffrey Braemer  
Florham Park, New Jersey

**JPMorgan Investment Management, Inc.**

Ann Pfeiffer  
Michael OBrien  
New York, New York

**Julius Baer Investment Management**

Riad Younes  
Brigid Flanagan  
New York, New York

**Legg Mason Capital Management**

Bill Miller  
Kyle Prechtl Legg  
Baltimore, Maryland

**Martingale Asset Management**

William Jacques  
Samuel Nathans  
Boston, Massachusetts

**Morgan Stanley Real Estate Advisor, Inc.**

Joseph Thomas  
Scott Brown  
Atlanta, Georgia

**New Amsterdam Partners**

Michelle Clayman  
David Lubell  
New York, New York

**Next Century Growth Investors**

Tom Press  
Kelly McNulty  
Minneapolis, Minnesota

**NISA Investment Advisors**

Jess Yawitz  
Robert Krebs  
St. Louis, Missouri

**Oechsle International Advisors**

Kathleen Harris  
Jamie Macmillan  
Boston, Massachusetts

**Payden & Rygel**

Brian Matthews  
Michael Salvay  
Los Angeles, California

**Pacific Investment Management Company (PIMCO)**

William Gross  
George Wood  
Newport Beach, California

**Prudential Real Estate Investors**

J. Allen Smith  
Eric Sabol  
Parsippany, New Jersey

**RREEF America LLC**

Kevin Howley  
Jon Thompson  
Chicago, Illinois

**Seix Investment Advisors**

Christina Seix  
Michael McEachern  
Woodcliff Lake, New Jersey

**State Street Global Advisors**

Arlene Rockefeller  
Michael Feehily  
John Kirby  
Mary Guy  
Boston, Massachusetts

**Systematic Financial Management**

Kevin McCreesh  
James Wallerius  
Teaneck, New Jersey

**Thomson, Horstmann & Bryant, Inc.**

Richard Horstmann  
Al Thomson  
Saddle Brook, New Jersey

**Trust Company of the West (TCW)**

Craig C. Blum  
Stephen A. Burlingame  
Los Angeles, California

**UBS Global Asset Management**

John Leonard  
Steven E. Wilde  
Chicago, Illinois

**Urdang Securities Management**

Todd Briddell  
Dean Frankel  
Plymouth Meeting, Pennsylvania

**Wellington Management Company**

Joe Marvan  
Alexander Grant  
Boston, Massachusetts

**Westcap Investors**

Greg Weirick  
Robert Foran  
Los Angeles, California

**Westwood Management Corporation**

Susan Byrne  
Patricia Frazee  
Dallas, Texas

**Zevenbergen Capital, Inc.**

Nancy Zevenbergen  
Lisa Foley  
Seattle, Washington

\*Information on investment management and consulting fees can be found in the Schedule of Investment Income Expenses on page 70.

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CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

3220 West Edgewood, Suite E • Jefferson City, MO 65101 • 573/635-6196 573/635-8394 fax

JEFFERSON CITY  
COLUMBIA  
MEXICO

## INDEPENDENT AUDITORS' REPORT

The Board of Trustees  
Public School Retirement System of Missouri  
Non-Teacher School Employee Retirement System of Missouri

We have audited the accompanying statement of plan net assets of the Public School Retirement System of Missouri and the Non-Teacher School Employee Retirement System of Missouri (the System) as of June 30, 2005 and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Public School Retirement System of Missouri and the Non-Teacher School Employee Retirement System of Missouri at June 30, 2005 and the changes in plan net assets for the year then ended, in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis on pages 18 through 22 and the schedules of funding progress and employer contributions on pages 39 and 40 are not a required part of the basic financial statements of the System, but are supplementary information required by the Governmental Accounting Standards Board (GASB). The required supplementary information is the responsibility of management of the System. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included on pages 41 through 43 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the System. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Williams - Keepers LLC*

September 20, 2005

# Management's Discussion and Analysis

June 30, 2005

This discussion and analysis of the financial position of the Public School Retirement System and the Non-Teacher School Employee Retirement System (collectively referred to as the Systems) provides an overview of the Systems' financial activities for the fiscal year ended June 30, 2005. We encourage you to consider the information presented here in conjunction with additional information presented in the financial statements and required supplementary information.

## Financial Highlights

The following highlights are explained in more detail for each System later in this discussion.

The combined net assets of the Systems at June 30, 2005 were \$25.8 billion. The net assets were up \$1.8 billion from June 30, 2004. This increase was primarily due to the increase in the fair value of investments.

The overall investment return was 9.2% for the Public School Retirement System (PSRS) and 9.3% for the Non-Teacher School Employee Retirement System (NTRS). Our relatively conservative asset allocation provided returns that exceeded our assumed rate of return of 8%, but trailed our peers of large institutional pension systems that took more risk with a more aggressive asset allocation and larger equity exposure.

The Systems' funding objective is to meet long-term benefit obligations through the accumulation of contributions and investment income. This funding shall be carried out in such a way to ensure that the burden of paying retirement costs shall be shared equitably by present and succeeding generations of members and taxpayers.

As of June 30, 2005, the funded ratios were 82.7% for PSRS and 83.3% for NTRS. As of June 30, 2004, the funded ratios were 82.0% for PSRS and 82.7% for NTRS. To arrive at the actuarial value of assets as of June 30, 2005, we used an asset smoothing method by which investment returns above or below 8% are recognized over a five-year period.

Revenues for the year were \$3.1 billion. This figure is comprised of contribution revenue of \$0.9 billion, investment income of \$2.1 billion and other income of \$0.1 billion.

Expenses increased 11.9% over the prior year from \$1.2 billion to \$1.3 billion. Most of this increase represented increased retirement benefits paid to members. Approximately \$34.0 million was paid to retirees electing the new

Partial Lump Sum Option (PLSO). Since fiscal year 2005 was the first full year this benefit was available to members, the cost was up substantially from the \$9.7 million paid during fiscal year 2004. This option allows eligible retirees to elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time payment at retirement equal to 12, 24, or 36 times the Option 1, Single-Life benefit amount.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the financial report of the Systems. The financial report consists of: the basic financial statements, comprised of the Statements of Plan Net Assets and the Statements of Changes in Plan Net Assets; the notes to the basic financial statements; and the required and other supplementary information.

The Statements of Plan Net Assets (page 23) present information on the assets and liabilities of the Systems, with the difference between the two reported as net assets. The net assets of the Systems reflect the resources available to pay benefits to members when due. Over time, increases and decreases in net assets measure whether the Systems' financial position is improving or deteriorating.

The Statements of Changes in Plan Net Assets (page 24) present information detailing the changes in net assets that occurred during the current fiscal year. All changes in net assets are reported on an accrual basis. This means that the revenue or expense is recognized as soon as the underlying event giving rise to the change occurs, regardless of when the actual cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods. For example, contributions due from a district, even though not yet paid by year end, will be reflected as revenue. Earned vacation accruals will be reflected as an expense, even though they have not been paid to employees.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes can be found on pages 25 through 38. The report also contains required supplementary information in addition to the basic financial statements themselves. The Schedules of Funding Progress (page 39) include historical trend information about the actuarially funded status of each plan from a long-term, ongoing perspective and the progress made in accumulating assets to pay benefits when due.

The Schedules of Employer Contributions (page 40) present historical trend information about the annual required contributions of employers and the actual contributions made by employers.

Other supplementary schedules are also included. The Schedule of Administrative Expenses (page 41) presents the overall cost of administering the Systems. The Schedule of Professional/Consultant Fees (page 43) further details this category of administrative expense.

The Schedule of Investment Expenses (page 42) shows the costs associated with investing the assets of the Systems. These expenses are shown as a reduction of revenue on the Statements of Changes in Plan Net Assets.

#### Financial Analysis of the Public School Retirement System

The Public School Retirement System (PSRS) is a mandatory cost-sharing multiple employer retirement system for full-time certificated employees and certain part-time employees of participating employers. PSRS members were required to contribute 11.0% of their annual covered salary during 2005. The employer was required to match that amount. Most PSRS members do not contribute to Social Security, except for employees hired after 1986 who contribute to Medicare only.

#### Assets

Total assets of PSRS as of June 30, 2005 were \$31.8 billion and were mostly comprised of cash, investments, and contributions due from employers. Total assets increased by \$4.9 billion or 18.3% from the prior year primarily due to investment earnings and increased investment receivables.

#### Liabilities

Total liabilities as of June 30, 2005 were \$8.0 billion and were mostly comprised of obligations under security lending arrangements and payables from the purchase of investments. Total liabilities increased by \$3.3 billion. This increase was primarily due to increased payables from the purchase of investments and increased obligations under security lending arrangements.

#### Net Assets

System assets exceeded liabilities at June 30, 2005 by \$23.7 billion. This was up from 2004 net assets of \$22.1 billion by \$1.6 billion. This increase was a result of investment earnings that totaled \$2.0 billion for the year. Benefit payments and other expenses exceeded contribution revenue by \$0.4 billion. This trend is a natural progression in a mature defined benefit plan.

#### Public School Retirement System Plan Net Assets (000's)

	<b>2005</b>	<b>2004</b>	<b>Change</b>
Cash & investments	\$ 27,688,259	\$ 25,421,407	\$ 2,266,852
Receivables	4,086,297	1,442,099	2,644,198
Other	11,271	9,615	1,656
Total assets	<u>31,785,827</u>	<u>26,873,121</u>	<u>4,912,706</u>
Total liabilities	<u>8,046,970</u>	<u>4,722,741</u>	<u>3,324,229</u>
<b>Plan net assets</b>	<u><u>\$ 23,738,857</u></u>	<u><u>\$ 22,150,380</u></u>	<u><u>\$ 1,588,477</u></u>

Public School Retirement System  
Changes in Plan Net Assets (000's)

	<u>2005</u>	<u>2004</u>	<u>Change</u>
<b>Additions</b>			
Members' contributions	\$ 432,500	\$ 405,614	\$ 26,886
Employer contributions	389,416	359,762	29,654
Investment income	1,958,622	2,402,566	(443,944)
Other	476	488	(12)
Total additions	<u>2,781,014</u>	<u>3,168,430</u>	<u>(387,416)</u>
<b>Deductions</b>			
Monthly benefits	1,152,578	1,024,740	127,838
Refunds of contributions	34,346	36,018	(1,672)
Administrative expenses	5,566	5,265	301
Other	48	9	39
Total deductions	<u>1,192,538</u>	<u>1,066,032</u>	<u>126,506</u>
<b>Change in plan net assets</b>	<u>\$ 1,588,476</u>	<u>\$ 2,102,398</u>	<u>\$ (513,922)</u>

#### Revenues – Additions to Plan Net Assets

The reserves needed to finance retirement benefits are accumulated through the collection of employer and employee contributions and through investment earnings. Total contributions for the year increased by \$57.0 million to \$821.9 million. This was a 7.4% increase over the prior year. Retirement contributions were calculated at 11.0% of retirement salary for each member during fiscal year 2005. The employer matched this amount. Contribution rate increases accounted for 4.75% of the increase. In addition to contributions on salary, members may also pay contributions to reinstate previously withdrawn service credit or to purchase various types of elective credit.

The net investment gain was \$2.0 billion as compared to a net investment gain of \$2.4 billion in 2004. All investment related expenses, such as fees paid to investment managers, are reflected as a reduction in revenue and are accounted for in this net figure.

#### Expenses – Deductions from Plan Net Assets

The primary expenses of PSRS include the payment of pension benefits to members and beneficiaries, refunds of contributions to former members, and the cost of administering the System. Total expenses for fiscal year 2005 were \$1.2 billion, an increase of 11.9% over fiscal year 2004.

Benefit expenses increased by \$127.8 million. This was a result of cost-of-living increases applied to the benefits of current retirees, increased PLSO payments and the addition of 2,688 new service and disability retirees. There were no changes to the benefit formula during 2005. Refunds of contributions decreased by \$1.7 million to \$34.3 million.

Administrative expenses increased by \$0.3 million to \$5.6 million. This was a 5.7% increase. This increase is mainly attributable to providing a 2% COLA increase for staff members and the addition of one staff member in Member Services and two staff members in Information Technology. The cost of these items was charged 60% to PSRS and 40% to NTRS. Because our Board continually strives to manage the Systems in a cost-effective manner, our costs remain below that of comparable public funds. The total cost (including all investment expenses) to administer the Systems in fiscal year 2005 was approximately 0.20%. Per the 2003 Cost Effective Measurement Study of U.S. pension funds, the average cost to administer public funds is 0.31%.

## Financial Analysis of the Non-Teacher School Employee Retirement System

The Non-Teacher School Employee Retirement System (NTRS) is a mandatory cost-sharing multiple employer retirement system for non-certificated employees and certain part-time certificated employees of participating employers. NTRS members were required to contribute 5.25% of their annual covered salary during 2005. The employer was required to match that amount. NTRS members also contribute to Social Security.

### Assets

Total assets of NTRS as of June 30, 2005 were \$2.8 billion and were mostly comprised of cash, investments, and contributions due from employers. Total assets increased by \$0.5 billion or 23% from the prior year primarily due to investment earnings and increased investment receivables.

### Liabilities

Total liabilities as of June 30, 2005 were \$698.6 million and were mostly comprised of obligations under security lending arrangements and payables from the purchase of investments. Total liabilities increased by \$329.1 million. This increase was primarily due to an increased liability for obligations under security lending arrangements and payables from the purchase of investments.

### Net Assets

NTRS assets exceeded liabilities at the close of fiscal year 2005 by \$2.1 billion. This was up from 2004 net assets by \$0.2 billion. This increase was a result of investment earnings that totaled \$170.9 million for the year. Because NTRS is a much younger plan than PSRS, contribution revenues exceeded benefit payments and other expenses by \$9.4 million.

### Non-Teacher School Employee Retirement System Plan Net Assets (000's)

	<u>2005</u>	<u>2004</u>	<u>Change</u>
Cash & investments	\$ 2,402,168	\$ 2,118,407	\$ 283,761
Receivables	365,118	139,426	225,692
Other	-	15	(15)
Total assets	<u>2,767,286</u>	<u>2,257,848</u>	<u>509,438</u>
Total liabilities	<u>698,639</u>	<u>369,578</u>	<u>329,061</u>
<b>Plan net assets</b>	<u><u>\$ 2,068,647</u></u>	<u><u>\$ 1,888,270</u></u>	<u><u>\$ 180,377</u></u>

### Non-Teacher School Employee Retirement System Changes in Plan Net Assets (000's)

	<u>2005</u>	<u>2004</u>	<u>Change</u>
<b>Additions</b>			
Members' contributions	\$ 55,699	\$ 50,625	\$ 5,074
Employer contributions	53,110	49,977	3,133
Investment income	170,922	198,389	(27,467)
Other	8	10	(2)
Total additions	<u>279,739</u>	<u>299,001</u>	<u>(19,262)</u>
<b>Deductions</b>			
Monthly benefits	83,906	74,871	9,035
Refunds of contributions	11,892	10,420	1,472
Administrative expenses	3,564	3,210	354
Total deductions	<u>99,362</u>	<u>88,501</u>	<u>10,861</u>
<b>Change in plan net assets</b>	<u><u>\$ 180,377</u></u>	<u><u>\$ 210,500</u></u>	<u><u>\$ (30,123)</u></u>

### Revenues – Additions to Plan Net Assets

The reserves needed to finance retirement benefits are accumulated through the collection of employer and employee contributions and through investment earnings. Total contributions for the year increased by \$8.2 million to \$108.8 million. This was a 8.2% increase over the prior year. Retirement contributions were calculated at 5.25% of retirement salary for each member during fiscal year 2005. The employer matched this amount. Contribution rate increases accounted for 5% of the increase. In addition to contributions on salary, members may also pay contributions to reinstate previously withdrawn service credit or to purchase various types of elective credit.

The net investment gain was \$170.9 million as compared to a net investment gain of \$198.4 million in 2004. All investment related expenses, such as fees paid to investment managers, are reflected as a reduction in revenue and are accounted for in this net figure.

### Expenses – Deductions from Plan Net Assets

The primary expenses of NTRS include the payment of pension benefits to members and beneficiaries, refunds of contributions to former members, and the cost of administering the System. Total expenses for fiscal year 2005 were \$99.4 million, an increase of 12.3% over fiscal year 2004.

Benefit expenses increased by \$9.0 million. This was a result of cost-of-living increases applied to the benefits of current retirees and the addition of 1,135 new service and disability retirees. There were no changes to the benefit formula during 2005. Refunds of contributions increased by \$1.5 million to \$11.9 million.

Administrative expenses increased by \$0.4 million to \$3.6 million. This was a 11.0% increase. This increase is mainly attributable to providing a 2% COLA increase for staff

members and the addition of one staff member in Member Services and two staff members in Information Technology. The cost of these items was charged 60% to PSRS and 40% to NTRS. Because our Board continually strives to manage the Systems in a cost effective manner, our costs remain below that of comparable public funds. The total cost (including all investment expenses) to administer the Systems in fiscal year 2005 was approximately 0.20%. Per the 2003 Cost Effective Measurement Study of U.S. pension funds, the average cost to administer public funds is 0.31%.

### Summary

Due to the long-term nature of defined benefit pension plans, it is important to look at the financial performance of the Systems over a period of years and not just at this single point in time. Although our earnings exceeded the 8% return assumption in 2005, our long-term financial concerns remain. The current contribution rates are still below the annual required contribution rates of 27.78% for PSRS and 12.6% for NTRS. Unless our investment returns greatly exceed our assumptions and expectations, we can expect contribution rate increases over the next several years. In addition, management will continue to strive to improve the financial position of the Systems through a prudent investment program and long-term strategic planning.

### Requests for Information

This financial report is designed to provide the Board of Trustees, our members, and other users of our financial report with a general overview of the Systems' finances and to demonstrate the Systems' accountability for the money they receive. If you have any questions about this report or need additional financial information, contact the Public School and Non-Teacher School Employee Retirement Systems, P.O. Box 268, Jefferson City, MO 65102.

## Statements of Plan Net Assets

As of June 30, 2005 with comparative totals for June 30, 2004

	Totals			
	PSRS	NTRS	June 30, 2005	June 30, 2004
ASSETS				
Cash	\$ 54,804,070	\$ 5,281,379	\$ 60,085,449	\$ 56,687,211
Receivables				
Contributions	136,516,507	12,355,045	148,871,552	136,222,444
Accrued interest and dividends	93,723,362	8,212,815	101,936,177	88,804,156
Investment sales	3,855,746,975	344,534,582	4,200,281,557	1,366,625,653
Due from NTRS	191,530	-	191,530	150,034
Other	118,815	15,302	134,117	241,387
Total receivables	4,086,297,189	365,117,744	4,451,414,933	1,592,043,674
Investments, at fair value				
Fixed income	9,278,337,979	819,495,852	10,097,833,831	10,035,361,153
Domestic stocks	9,383,081,616	805,847,681	10,188,929,297	9,470,323,668
International equities	4,069,442,641	362,537,686	4,431,980,327	4,174,362,308
Short term investments	1,112,688,160	101,965,760	1,214,653,920	500,246,408
Private equity	27,534,837	2,072,514	29,607,351	6,780,652
Real estate	162,134,824	13,524,818	175,659,642	-
Total investments	24,033,220,057	2,105,444,311	26,138,664,368	24,187,074,189
Invested securities lending collateral	3,600,234,461	291,442,892	3,891,677,353	3,285,534,857
Prepaid expenses	266,537	-	266,537	393,899
Capital assets, net of accumulated depreciation	11,004,354	-	11,004,354	9,235,232
Total assets	31,785,826,668	2,767,286,326	34,553,112,994	29,130,969,062
LIABILITIES				
Accounts payable	11,640,821	1,086,687	12,727,508	9,773,684
Interest payable	1,948,815	110,232	2,059,047	2,161,178
Securities lending collateral	3,600,234,461	291,442,892	3,891,677,353	3,285,534,857
Investment purchases	4,432,914,634	405,654,430	4,838,569,064	1,794,360,252
Due to PSRS	-	191,530	191,530	150,034
Compensated absences	231,641	153,389	385,030	339,238
Total liabilities	8,046,970,372	698,639,160	8,745,609,532	5,092,319,243
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS				
	\$ 23,738,856,296	\$ 2,068,647,166	\$ 25,807,503,462	\$ 24,038,649,819
(Schedules of Funding Progress for the plans are presented on page 39)				

See accompanying Notes to the Financial Statements.



# Statements of Changes in Plan Net Assets

For the year ended June 30, 2005 with comparative totals for the year ended June 30, 2004

			<b>Combined Totals</b>	
	<b>PSRS</b>	<b>NTRS</b>	<b>2005</b>	<b>2004</b>
<b>ADDITIONS</b>				
<b>Contributions</b>				
Employer	\$ 389,415,997	\$ 53,109,687	\$ 442,525,684	\$ 409,739,454
Member	432,500,249	55,699,367	488,199,616	456,239,256
Total contributions	821,916,246	108,809,054	930,725,300	865,978,710
<b>Investment income</b>				
<i>From investment activities:</i>				
Net appreciation in fair value of investments	1,473,417,284	128,941,096	1,602,358,380	2,149,061,883
Interest from investments	310,014,342	27,093,524	337,107,866	303,790,154
Interest from bank deposits	210,423	20,627	231,050	65,062
Dividends	203,573,046	17,576,706	221,149,752	171,360,274
Total investment income	1,987,215,095	173,631,953	2,160,847,048	2,624,277,373
Less investment expenses	39,523,059	3,661,311	43,184,370	34,739,967
Net income from investment activities	1,947,692,036	169,970,642	2,117,662,678	2,589,537,406
<i>From security lending activities:</i>				
Security lending gross income	85,226,483	6,405,815	91,632,298	38,617,033
Less security lending activity expenses:				
Agent fees	2,256,649	186,140	2,442,789	2,306,981
Broker rebates	72,039,821	5,266,841	77,308,662	24,892,314
Total security lending expenses	74,296,470	5,454,981	79,751,451	27,199,295
Net income from security lending activity	10,930,013	950,834	11,880,847	11,417,738
Total net investment income	1,958,622,049	170,921,476	2,129,543,525	2,600,955,144
<b>Other income</b>				
NTRS capital asset charge	306,345	-	306,345	309,557
Miscellaneous income	169,643	8,476	176,119	188,316
Total other income	475,988	8,476	484,464	497,873
Total additions	2,781,014,283	279,739,006	3,060,753,289	3,467,431,727
<b>DEDUCTIONS</b>				
Monthly benefits	1,152,577,673	83,906,368	1,236,484,041	1,099,610,742
Refunds of contributions	34,346,274	11,891,691	46,237,965	46,437,918
Administrative expenses	5,566,428	3,563,676	9,130,104	8,475,420
Other expenses	47,517	19	47,536	9,010
Total deductions	1,192,537,892	99,361,754	1,291,899,646	1,154,533,090
Net increase	1,588,476,391	180,377,252	1,768,853,643	2,312,898,637
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>				
Beginning of year	22,150,379,905	1,888,269,914	24,038,649,819	21,725,751,182
End of year	\$ 23,738,856,296	\$ 2,068,647,166	\$ 25,807,503,462	\$ 24,038,649,819

See accompanying Notes to the Financial Statements.



## Notes to the Financial Statements

June 30, 2005 (with comparative information for June 30, 2004)

### Note 1 – Plan Descriptions

The Board of Trustees of the Public School Retirement System administers two separate retirement systems, the Public School Retirement System (PSRS) and the Non-Teacher School Employee Retirement System (NTRS). The Board of Trustees consists of seven members, three of whom are elected PSRS active members, one an elected active member of NTRS and three persons appointed by the governor, one of whom must be a retired member of either PSRS or NTRS. Note: The name of the Non-Teacher School Employee Retirement System of Missouri was changed to the Public Education Employee Retirement System of Missouri (PEERS) effective August 28, 2005.

The funds of the two Systems are invested in conjunction with each other but each System retains title to its own investments. Each System's assets may be used only for the payment of benefits to the members of the separate System in accordance with the statutes governing that System as well as expenses required to administer the System.

#### The Public School Retirement System

The Public School Retirement System of Missouri (PSRS) is a mandatory cost-sharing multiple employer retirement system for all full-time certificated employees and certain part-time certificated employees of all public school districts in Missouri (except the school districts of St. Louis and Kansas City) and all public community colleges. The System also includes certificated employees of PSRS, Missouri State Teachers' Association, Missouri State High School Activities Association, and certain employees of the state of Missouri who elected to remain covered by PSRS under legislation enacted in 1986, 1987 and 1989.

PSRS was established as an independent trust fund by an Act of the Missouri General Assembly effective August 1, 1945. Statutes governing the retirement system are found in Sections 169.010-169.141 and Section 169.560-169.595 RSMo. It is a defined benefit plan providing service retirement, death and disability benefits to its members.

Members are vested for service retirement benefits after accruing five years of creditable service. Individuals who (a) are at least age 60 and have a minimum of five years of service, (b) have 30 years of service, or (c) qualify for benefits under the "Rule of 80" (service credit and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 2.5% formula factor. Beginning July 1, 2001, and ending July 1, 2008, a 2.55% formula factor is used to calculate benefits for members who have 31 or more years of service. Actuarially age-reduced benefits are available for members with five to 24.9 years of service at age 55 or with 25 years of service (if not yet age 55). Members who are younger than age 55 and who do not qualify under the "Rule of 80" but have between 25 and 29.9 years of credit may retire with a lesser benefit formula factor during a window that will close July 1, 2008. Beginning September 2003, members who are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Option 1, Single-Life benefit amount. Annual cost-of-living adjustments (COLAs) are provided for eligible service and disability retirees and for surviving beneficiaries receiving payments under optional retirement plans, up to a lifetime maximum of 80% of the original benefit amount.

**Contributions** – PSRS members were required to contribute 11.0% of their annual covered salary during 2004-2005 and 10.5% during 2003-2004. The employing districts were required to match the contributions made by employees. The contribution rate is set each year by the Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. Administrative costs are financed through investment earnings. Contributions for employees of the state of Missouri were made by the state in accordance with the actuarially determined contribution rate needed to fund current costs and prior service costs of state employees as authorized in Section 104.342.8 RSMo.

**Members** – The number of PSRS membership and benefit recipients served by the System at June 30 was:

	2005	2004
Retirees and beneficiaries receiving benefits	36,321	34,230
Inactive members entitled to, but not yet receiving benefits	5,741	5,338
Active members:		
Vested	53,426	52,628
Non-vested	20,424	21,169
Total active members	73,850	73,797
Other inactive members	5,951	6,336
Total	121,863	119,701

**Employers** – PSRS had 545 contributing employers during both years.

### The Non-Teacher School Employee Retirement System

The Non-Teacher School Employee Retirement System of Missouri (NTRS) is a mandatory cost-sharing multiple employer retirement system for all public school district employees (except the school districts of St. Louis and Kansas City), employees of the Missouri Association of School Administrators, and community college employees (except the Community College of St. Louis). Employees of covered districts who work 20 or more hours per week on a regular basis and who are not contributing members of the Public School Retirement System of Missouri (PSRS) must contribute to NTRS. Employees of PSRS who do not hold Missouri teaching certificates also contribute to NTRS.

NTRS was established as a trust fund by an Act of the Missouri General Assembly effective October 13, 1965. Statutes governing the retirement system are found in Sections 169.600 - 169.715 and Sections 169.560-169.595 RSMo. The statutes place responsibility for the operation of NTRS on the Trustees of the Public School Retirement System.

NTRS is a defined benefit plan providing service retirement and disability benefits to its members. Members are vested for service retirement benefits after accruing five years of creditable service. Individuals who (a) are at least age 60 and have a minimum of five years of service, (b) have 30 years of service, or (c) qualify for benefits under the “Rule of 80” (service credit and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 1.61% formula factor. Members qualifying

for “Rule of 80” or “30 and Out” are entitled to a temporary .8% benefit multiplier until reaching minimum Social Security age (currently age 62). Actuarially age-reduced retirement benefits are available with five years of service at age 55. Members who are younger than age 55 and who do not qualify under the “Rule of 80” but have between 25 and 29.9 years of credit may retire with a lesser benefit formula factor during a window that will close July 1, 2008. Beginning September 2003, members who are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Option 1, Single-Life benefit amount. Annual cost-of-living adjustments (COLAs) up to a lifetime maximum of 80% of the original benefit amount are provided for eligible service and disability retirees and for surviving beneficiaries receiving payments under optional retirement plans.

**Contributions** – NTRS members were required to contribute 5.25% of their annual covered salary during 2004-2005 and 5.0% during 2003-2004. The employing districts were required to match the contributions made by their employees. The contribution rate is set each year by the Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions in Section 169.620 RSMo. Administrative costs proportional to its membership size are reimbursed by NTRS to the Public School Retirement System and are financed through investment earnings.

**Members** – The number of NTRS membership and benefit recipients served by the System at June 30 was:

	<u>2005</u>	<u>2004</u>
Retirees and beneficiaries receiving benefits	16,142	15,445
Inactive members entitled to, but not yet receiving benefits	3,516	3,246
Active members: Vested	23,907	22,683
Non-vested	<u>22,691</u>	<u>23,197</u>
Total active members	46,598	45,880
Other inactive members	<u>14,855</u>	<u>15,591</u>
Total	<u>81,111</u>	<u>80,162</u>

**Employers** – NTRS had 536 contributing employers during both years.

## Note 2 – Summary of Significant Accounting Policies

**Basis of Accounting** – The financial statements of both Systems were prepared using the accrual basis of accounting. For both Systems, member and employer contributions are recognized when due, pursuant to formal commitments and statutory requirements. Benefits and refunds are recognized when due and payable in accordance with the statutes governing the Systems. Expenses are recognized when the liability is incurred, regardless of when payment is made. Administrative expenses are funded through investment earnings.

**Cash** – Cash includes cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**Receivables** – Receivables consist primarily of contributions owed and yet to be remitted by the employing districts, pending investment trades and interest and dividends payable to the Systems as of the end of each fiscal year.

**Method Used to Value Investments** – Investments are reported at fair value on a trade date basis. Securities traded on international exchanges are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. The value of real estate investments are determined based upon appraisals. The value of private equity investments, which do not have an established market, are determined based upon the values of the underlying companies as determined by the general partner.

**Capital Assets** – The building and most other capital assets are owned by PSRS and are stated at cost less depreciation accumulated since acquisition. The stated value does not purport to represent replacement or realized value. Costs of major additions and improvements are capitalized. Expenditures for maintenance and repairs are charged to operations as incurred. Depreciation is calculated using the straight-line method, with estimated lives ranging from three to 40 years in the following major classes: computers and software, three years; vehicles, five years; equipment, five years; building and land improvements, 15 years; building, 40 years.

NTRS owns office equipment purchased before 1997 and follows the same guidelines for depreciation. As of June 30, 2004, this equipment was fully depreciated. NTRS reimburses PSRS for the use of capital assets used by the two Systems on a proportional basis. The amount of this reimbursement was \$306,345 in 2005 and \$309,557 in 2004.

**Estimates** – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of net assets held in trust for pension benefits at June 30, 2005. Actual results could differ from those estimates.

**Reclassification** – Certain reclassifications have been made to the 2004 comparative totals to conform with the classifications for 2005.

### Note 3 – Designations of Net Assets Held in Trust for Pension Benefits

The Systems designate the net assets held in trust for pension benefits for the following specific purposes:

#### PSRS

	<u>2005</u>	<u>2004</u>
<i>Designated for Members' Contributions (Member Reserves) –</i> Accumulation of active and terminated member contributions plus interest.	\$ 5,131,544,079	\$ 4,896,240,545
<i>Designated for the Payment of Benefits to Present Retirees –</i> Transfers from Member Reserves at retirement and an actuarially determined transfer from Operating Reserves to fund the System's obligation for benefit payments and cost-of-living adjustments to current retirees and beneficiary recipients.	13,975,797,438	12,624,731,188
<i>Designated for Additional Deposit Annuities –</i> Accumulation of the additional deposits over and above the contributions required by law. Defined contribution annuity payments are made to current retirees from this reserve.	1,103,965	1,193,950
<i>Designated for Operating Expenses/Benefits to Future Retirees</i> <i>(Operating Reserves) –</i> Accumulation of employer contributions and investment income used to fund future benefit payments, interest on member accounts and administration and maintenance expenses of the System.	4,630,410,814	4,628,214,222
<b>Net Assets Held In Trust For Pension Benefits</b>	<u>\$ 23,738,856,296</u>	<u>\$ 22,150,379,905</u>

#### NTRS

	<u>2005</u>	<u>2004</u>
<i>Designated for Members' Contributions (Member Reserves) –</i> Accumulation of active and terminated member contributions plus interest.	\$ 469,042,825	\$ 423,501,594
<i>Designated for the Payment of Benefits to Present Retirees –</i> Transfers from Member Reserves at retirement and an actuarially determined transfer from Operating Reserves to fund the System's obligation for benefit payments and cost-of-living adjustments to current retirees and beneficiary recipients.	904,292,420	804,863,982
<i>Designated for Operating Expenses/Benefits to Future Retirees</i> <i>(Operating Reserves) –</i> Accumulation of employer contributions and investment income used to fund future benefit payments, interest on member accounts and administration and maintenance expenses of the System.	695,311,921	659,904,338
<b>Net Assets Held In Trust For Pension Benefits</b>	<u>\$ 2,068,647,166</u>	<u>\$ 1,888,269,914</u>

## Note 4 – Deposits, Investments and Securities Lending Program

### *Custodial Credit Risk*

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Systems will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Systems would not be able to recover the value of investment or collateral securities that are in the possession of an outside party. To mitigate custodial credit risk, the Systems require that all deposits be 100% collateralized with securities held in the Systems' name and held by a third party agent.

*Deposits* – Cash balances include short-term securities held by the custodial bank in a pooled short-term investment fund and operating balances held by the depository banks.

At June 30, 2005, the PSRS carrying amount of deposits at the depository bank was \$5,355,920 and the bank balance was \$6,622,209. Of the bank balance, \$100,000 was covered by federal depository insurance. The remaining \$6,522,209 was collateralized with securities held by a third-party institution in the System's name. An additional \$1,564,935 was held in overnight repurchase agreements with a book value of \$1,564,935.

At June 30, 2005, the NTRS carrying amount of deposits at the depository bank was (\$420,675) and the bank balance was \$0. Since the bank balance was \$0, no amount was required to be collateralized. To maximize investment income, the float caused by outstanding checks was invested in overnight repurchase agreements, thus causing the negative book balance. The overnight repurchase agreement balance at June 30, 2005 was \$1,346,297 with a book value of \$925,622.

The following Agency securities were pledged as collateral for deposits as of June 30, 2005:

#### *NTRS*

<u>Agency</u>	<u>Maturity Date</u>	<u>Market Value</u>
Not applicable		

#### *PSRS*

<u>Agency</u>	<u>Maturity Date</u>	<u>Market Value</u>
FHLB	11/28/05	\$ 995,000
FHLB	12/26/06	3,425,800
FHLB	12/26/06	587,280
FHLB	04/07/08	1,003,400
FHLB	07/23/08	367,387
FHLMC	06/02/06	725,680
Total		<u>\$ 7,104,547</u>

The following Agency securities were pledged as collateral for overnight repurchase agreements as of June 30, 2005:

#### *NTRS*

<u>Agency</u>	<u>Maturity Date</u>	<u>Market Value</u>
FHLB	08/15/05	\$ 424,737
FHLB	12/21/05	2,989,680
FHLB	01/28/08	1,419,215
FHLB	07/10/13	1,560,106
FHLMC	11/17/06	197,812
FHLMC	01/23/08	99,366
FNMA	06/13/07	250,000
FNMA	09/29/05	198,320
Total		<u>\$ 7,139,236</u>

#### *PSRS*

<u>Agency</u>	<u>Maturity Date</u>	<u>Market Value</u>
FHLMC	06/02/06	\$ 259,816
SBA	01/25/12	358,601
SBA	04/25/14	553,254
SBA	04/25/23	393,264
Total		<u>\$ 1,564,935</u>

**Investments** – Funds for both Systems that are in excess of a safe operating balance are invested by the investment agents under policies and procedures established by the Board of Trustees. Chapter 169.040 RSMo as amended effective August 13, 1984, authorizes any investment which a prudent person acting in a like capacity and familiar with similar matters would use in the conduct of an enterprise of a like character and with like aims. Any person with fiduciary responsibility with respect to the Retirement Systems is covered by this “prudent person” rule.

### **Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of the Systems’ investment in a single issue. To mitigate this risk, the Systems’ investment policy prohibits investing more than 5% of the total investment portfolio into any single financial institution or issuer, excluding U.S. securities. At June 30, 2005, the Systems

did not have more than 5% of total investments in a single issue except for U.S. securities.

### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Systems do not have a single investment policy that restricts duration as a means of managing their exposure to fair value losses arising from increased interest rates; however, each manager must follow guidelines established relative to the duration of its benchmark. The portfolios are continually monitored to ensure compliance with these guidelines. The following table includes collateral pledged for deposits and repurchase agreements but does not include security lending collateral held in a pooled investment fund. The maturities of all debt securities are presented below:

### **PSRS**

<b>Security Type</b>	<b>Market Value at June 30, 2005</b>	<b>&lt;1 year to maturity</b>	<b>1 to 5 years to maturity</b>	<b>6 to 10 years to maturity</b>	<b>over 10 years to maturity</b>
U.S. treasuries	\$ 2,384,779,220	\$ 97,076,669	\$ 1,145,705,029	\$ 580,786,666	\$ 561,210,856
Government guaranteed mortgages	193,303,112	-	92,734	10,550,079	182,660,299
Agencies	2,140,201,372	83,310,132	888,086,806	74,214,968	1,094,589,466
Collateralized mortgage obligations	391,998,894	-	-	5,309,629	386,689,265
Asset backed securities	315,376,036	505,559	228,959,743	19,035,160	66,875,574
Corporate bonds	1,585,454,884	112,061,117	723,617,126	475,837,896	273,938,745
Preferred stock	1,662,440	1,662,440	-	-	-
Sovereign	111,417,359	-	29,847,067	17,919,875	63,650,417
Municipals	42,064,544	-	2,147,572	1,094,352	38,822,620
Commingled funds (see note)					
SSGA TIPS	584,476,273	-	-	584,476,273	-
SSGA STIF	878,488,559	878,488,559	-	-	-
Bridgewater Short Term II	38,946,818	38,946,818	-	-	-
SSGA Lehmann Aggregate	1,645,063,118	-	1,645,063,118	-	-
PIMCO Emerging Markets	38,730,547	-	-	38,730,547	-
PIMCO International	10,661,829	-	-	10,661,829	-
Currency	85,026,310	85,026,310	-	-	-
Total	<u>\$ 10,447,651,315</u>	<u>\$ 1,297,077,604</u>	<u>\$ 4,663,519,195</u>	<u>\$ 1,818,617,274</u>	<u>\$ 2,668,437,242</u>
Percentage of total fixed income	100%	12%	45%	17%	26%

*Note: Commingled Funds are presented at the weighted average maturity. These funds do not have a single maturity date; however, the underlying securities have maturity dates. To more accurately reflect the interest rate risk of the Systems, these weighted averages were displayed.*



Security Type	Market Value at June 30, 2005	<1 year to maturity	1 to 5 years to maturity	6 to 10 years to maturity	over 10 years to maturity
U.S. treasuries	\$ 212,918,108	\$ 8,486,227	\$ 106,063,992	\$ 44,997,055	\$ 53,370,834
Government guaranteed mortgages	16,742,337	-	23,123	-	16,719,214
Agencies	193,693,845	9,052,622	92,267,777	8,405,723	83,967,723
Collateralized mortgage obligations	35,351,369	-	-	-	35,351,369
Asset backed securities	30,861,521	84,260	20,294,383	1,369,494	9,113,384
Corporate bonds	143,957,352	16,334,818	62,566,533	40,326,787	24,729,214
Preferred stock	146,790	146,790	-	-	-
Sovereign	10,666,347	-	2,527,693	1,969,444	6,169,210
Municipals	3,385,394	-	153,045	124,082	3,108,267
Commingled funds (see note)					
SSGA TIPS	50,590,858	-	-	50,590,858	-
SSGA STIF	79,981,012	79,981,012	-	-	-
Bridgewater Short Term II	2,857,448	2,857,448	-	-	-
SSGA Lehmann Aggregate	144,254,850	-	144,254,850	-	-
PIMCO Emerging Markets	2,308,895	-	-	2,308,895	-
PIMCO International	1,066,189	-	-	1,066,189	-
Currency	4,178,232	4,178,232	-	-	-
Total	<u>\$ 932,960,547</u>	<u>\$ 121,121,409</u>	<u>\$ 428,151,396</u>	<u>\$ 151,158,527</u>	<u>\$ 232,529,215</u>
Percentage of total fixed income	100%	14%	45%	16%	25%

*Note: Commingled Funds are presented at the weighted average maturity. These funds do not have a single maturity date; however, the underlying securities have maturity dates. To more accurately reflect the interest rate risk of the Systems, these weighted averages were displayed.*

## Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Systems do not have a single investment policy designating the minimum allowable credit rating; however, each manager must follow guidelines established specifically for its managed portfolio. The portfolios are continually monitored

to ensure compliance with these guidelines. The following table includes collateral pledged for deposits and repurchase agreements but does not include security lending collateral held in a pooled investment fund. The Systems' debt investments by credit rating category as of June 30, 2005 are presented below:

### PSRS

Security Type	Market Value at June 30, 2005	Percentage	AAA	AA	A	BBB	BB	B	CCC	Not Rated
U.S. treasuries	\$ 2,384,779,220	23%	\$2,384,779,220	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Government guaranteed mortgages	193,303,112	2%	193,303,112	-	-	-	-	-	-	-
Agencies	2,140,201,372	20%	2,140,201,372	-	-	-	-	-	-	-
Collateralized mortgage obligations	391,998,894	4%	386,666,605	5,332,289	-	-	-	-	-	-
Asset backed securities	315,376,036	3%	296,309,656	1,356,992	6,506,495	9,775,671	-	-	-	1,427,222
Corporate bonds	1,585,454,884	15%	86,114,387	136,328,430	435,527,130	427,090,199	233,193,988	207,887,447	78,750	59,234,554
Preferred stock	1,662,440	0%	-	1,155,440	-	-	-	-	-	507,000
Sovereign	111,417,359	1%	1,021,871	17,153,999	5,318,624	52,162,212	28,704,639	7,056,013	-	-
Municipals	42,064,544	1%	10,133,945	4,703,744	19,058,353	7,833,696	-	-	-	334,806
Commingled Funds (see note)										
SSGA TIPS	584,476,273	6%	584,476,273	-	-	-	-	-	-	-
SSGA STIF	878,488,559	8%	-	-	878,488,559	-	-	-	-	-
Bridgewater Short Term II	38,946,818	0%	-	-	38,946,818	-	-	-	-	-
SSGA Lehmann Agg	1,645,063,118	16%	1,645,063,118	-	-	-	-	-	-	-
PIMCO Emerging Markets	38,730,547	0%	-	-	-	-	38,730,547	-	-	-
PIMCO International	10,661,829	0%	10,661,829	-	-	-	-	-	-	-
Currency	85,026,310	1%	-	-	-	-	-	-	-	85,026,310
<b>Total</b>	<b>\$10,447,651,315</b>	<b>100%</b>	<b>\$7,738,731,388</b>	<b>\$166,030,894</b>	<b>\$1,383,845,979</b>	<b>\$496,861,778</b>	<b>\$300,629,174</b>	<b>\$214,943,460</b>	<b>\$78,750</b>	<b>\$146,529,892</b>
Percentage of total fixed income		100%	74%	2%	13%	5%	3%	2%	0%	1%

*Note: Commingled Funds are presented at the weighted average credit quality. These funds do not carry a rating in and of themselves; however, the underlying securities are all rated. To more accurately reflect the credit risk of the Systems, these weighted averages were displayed.*



## NTRS

Security Type	Market Value at June 30, 2005	Percent- age	AAA	AA	A	BBB	BB	B	CCC	Not Rated
U.S. treasuries	\$212,918,108	23%	\$212,918,108	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Government guaran- teed mortgages	16,742,337	2%	16,742,337	-	-	-	-	-	-	-
Agencies	193,693,845	21%	193,693,845	-	-	-	-	-	-	-
Collateralized mort- gage obligations	35,351,369	4%	34,888,751	462,618	-	-	-	-	-	-
Asset backed securities	30,861,521	3%	29,078,939	99,697	634,346	726,160				322,379
Corporate bonds	143,957,352	15%	6,532,249	11,681,372	47,102,942	36,223,661	20,983,168	17,291,822	5,250	4,136,888
Preferred stock	146,790	0%	-	99,990	-	-	-	-	-	46,800
Sovereign	10,666,347	1%	1,838,797	1,472,553	237,903	4,444,902	2,085,462	586,730	-	-
Municipals	3,385,394	1%	310,083	724,764	1,639,487	-	655,260	-	-	55,800
Commingled Funds (see note)										
SSGA TIPS	50,590,858	5%	50,590,858	-	-	-	-	-	-	-
SSGA STIF	79,981,012	9%	-	-	79,981,012	-	-	-	-	-
Bridgewater Short Term II	2,857,448	1%	-	-	2,857,448	-	-	-	-	-
SSGA Lehmann Agg	144,254,850	15%	144,254,850	-	-	-	-	-	-	-
PIMCO Emerging Markets	2,308,895	0%	-	-	-	-	2,308,895	-	-	-
PIMCO International	1,066,189	0%	1,066,189	-	-	-	-	-	-	-
Currency	4,178,232	0%	-	-	-	-	-	-	-	4,178,232
<b>Total</b>	<b>\$932,960,547</b>	<b>100%</b>	<b>\$691,915,006</b>	<b>\$14,540,994</b>	<b>\$132,453,138</b>	<b>\$41,394,723</b>	<b>\$26,032,785</b>	<b>\$17,878,552</b>	<b>\$5,250</b>	<b>\$8,740,099</b>
Percentage of total fixed income		100%	74%	2%	14%	4%	3%	2%	0%	1%

*Note: Commingled Funds are presented at the weighted average credit quality. These funds do not carry a rating in and of themselves; however, the underlying securities are all rated. To more accurately reflect the credit risk of the Systems, these weighted averages were displayed.*

## Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Systems do not have a single investment policy designating the allowable exposure to foreign currency; however, each manager must follow guidelines

established specifically for its managed portfolio. The portfolios are continually monitored to ensure compliance with these guidelines. The Systems' exposure to foreign currency risk at June 30, 2005 is presented on the following tables:

### PSRS

<u>Currency</u>	<u>Debt</u>	<u>Equity</u>	<u>Currency/ Short Term</u>	<u>Total</u>
Australian Dollar	\$ -	\$ 90,576,447	\$ 1,070,339	\$ 91,646,786
Brazilian Real	-	29,556,118	901,238	30,457,356
Canadian Dollar	1,372,203	132,780,748	5,062,558	139,215,509
Chilean Peso	-	818,108	-	818,108
Czech Koruna	-	9,339,866	(954)	9,338,912
Danish Krone	32,822	41,780,160	330,276	42,143,258
Euro Currency	7,348,046	1,209,085,636	10,953,147	1,227,386,829
Hong Kong Dollar	-	84,447,200	996,030	85,443,230
Hungarian Forint	-	22,820,075	68,784	22,888,859
Indonesian Rupiah	-	14,957,352	80,561	15,037,913
Israeli Shekel	-	8,447,254	447,822	8,895,076
Japanese Yen	6,059,770	779,758,529	4,035,467	789,853,766
Malaysian Ringgit	-	10,046,390	109,234	10,155,624
Mexican Peso	7,056,014	14,230,921	144,463	21,431,398
New Bulgaria Lev	-	154,718	-	154,718
New Taiwan Dollar	-	56,120,785	3,990,594	60,111,379
New Turkish Lira	-	30,175,562	(772)	30,174,790
New Zealand Dollar	-	1,227,016	15,865	1,242,881
Norwegian Krone	305,288	61,060,000	22,025	61,387,313
Philippine Peso	-	4,177,111	16,223	4,193,334
Polish Zloty	-	30,194,313	-	30,194,313
Pound Sterling	(68,735)	693,541,383	1,718,090	695,190,738
Singapore Dollar	-	19,825,107	484,847	20,309,954
South African Rand	-	25,225,673	341,203	25,566,876
South Korean Won	-	90,874,126	685,938	91,560,064
Swedish Krona	-	79,301,318	611,019	79,912,337
Swiss Franc	-	255,002,470	479,246	255,481,716
Thailand Baht	-	25,890,803	356,921	26,247,724
Total	<u>\$ 22,105,408</u>	<u>\$ 3,821,415,189</u>	<u>\$ 32,920,164</u>	<u>\$ 3,876,440,761</u>

## NTRS

<u>Currency</u>	<u>Debt</u>	<u>Equity</u>	<u>Currency/ Short Term</u>	<u>Total</u>
Australian Dollar	\$ -	\$ 7,986,178	\$ 124,476	\$ 8,110,654
Brazilian Real	-	2,654,857	79,575	2,734,432
Canadian Dollar	147,595	11,609,663	103,309	11,860,567
Chilean Peso	-	76,740	-	76,740
Czech Koruna	-	847,067	(34)	847,033
Danish Krone	3,239	3,661,532	44,708	3,709,479
Euro Currency	1,445,828	107,932,127	875,281	110,253,236
Hong Kong Dollar	-	7,493,008	117,037	7,610,045
Hungarian Forint	-	2,069,703	34,593	2,104,296
Indonesian Rupiah	-	1,301,505	8,076	1,309,581
Israeli Shekel	-	744,316	68,325	812,641
Japanese Yen	496,702	68,850,325	448,630	69,795,657
Malaysian Ringgit	-	926,840	1,377	928,217
Mexican Peso	586,730	1,273,128	27,250	1,887,108
New Bulgaria Lev	-	13,785	-	13,785
New Taiwan Dollar	-	5,130,907	305,825	5,436,732
New Turkish Lira	-	2,858,386	40,384	2,898,770
New Zealand Dollar	-	111,753	1,414	113,167
Norwegian Krone	27,570	5,357,890	41,530	5,426,990
Philippine Peso	-	420,779	1,388	422,167
Polish Zloty	-	2,959,191	30,283	2,989,474
Pound Sterling	(7,637)	60,633,765	24,703	60,650,831
Singapore Dollar	-	1,817,885	65,355	1,883,240
South African Rand	-	2,572,057	40,557	2,612,614
South Korean Won	-	8,137,118	57,772	8,194,890
Swedish Krona	-	6,960,177	66,363	7,026,540
Swiss Franc	-	22,556,544	46,821	22,603,365
Thailand Baht	-	2,326,087	11,220	2,337,307
Total	<u>\$ 2,700,027</u>	<u>\$ 339,283,313</u>	<u>\$ 2,666,218</u>	<u>\$ 344,649,558</u>

**Derivatives** – The Systems are parties to certain financial investments with off-balance sheet risk used in the normal course of business to generate earnings and reduce exposure to fluctuations in market conditions. Derivatives are reported at fair value on the Statements of Plan Net Assets.

International security managers are authorized to engage in forward contracts to exchange different currencies at a specified date and rate. These forward contracts involve elements of custodial and market risk in excess of the amount recognized in the Statements of Plan Net Assets. The forward exchange contracts activity (purchases and sales) during fiscal years 2005 and 2004 are shown below:

<b>2005</b>	<b>Purchase Value</b>	<b>Fair Value</b>
PSRS	\$ 1,062,699,880	\$ 1,069,233,879
NTRS	93,946,587	94,519,080

<b>2004</b>	<b>Purchase Value</b>	<b>Fair Value</b>
PSRS	\$ 415,301,646	\$ 414,301,788
NTRS	37,987,519	37,896,109

The “Net Appreciation in Fair Value of Investments” found on the Statements of Changes in Plan Net Assets includes for PSRS a net gain on forward contracts and currency disposal of \$11,883,857 during 2004-2005 and a gain of \$11,931,529 during 2003-2004. NTRS had a similar net gain of \$1,237,270 during 2004-2005 and a gain of \$978,997 in 2003-2004.

Certain managers are authorized to enter into contractual commitments involving other financial instruments with off-balance-sheet risk. During the year, the Systems held equity futures, treasury futures, options, forwards and swaps. These are used to minimize the expenses and volatility of the portfolio.

The following derivatives were held by the Systems at June 30, 2005:

<b>Type</b>	<b>PSRS Notional Value</b>	<b>NTRS Notional Value</b>
Equity futures	\$ 646,496,551	\$ 53,817,671
Treasury futures	(28,438,399)	(6,026,553)
Swaps	141,588,805	12,332,082
Options	8,991,000	777,000
Forwards	47,476,271	4,260,364
Total	\$ 816,114,228	\$ 65,160,564

Although higher, the Systems’ exposure to derivatives as a percent of total investments does not differ substantially from June 30, 2004.

**Security Lending Activity** – Under the “prudent person” authority of the governing statutes and in accordance with the policies set by the Board of Trustees, the Systems lend securities to broker-dealers and banks pursuant to a form of loan agreement. The Systems’ custodial bank is authorized to lend available securities to approved broker-dealers and banks subject to the receipt of acceptable collateral.

During the fiscal year, the Systems lent securities and received cash (both U.S. and foreign currency), securities issued or guaranteed by the U.S. government or its agencies, sovereign debt of foreign countries, and irrevocable bank letters of credit as collateral. The Systems did not have the ability to pledge or sell noncash collateral absent borrower default. Borrowers were required to deliver collateral for each loan equal to: (1) in the case of loaned securities denominated in U.S. dollars or whose primary trading market was located in the United States, or sovereign debt issued by foreign governments, 102% of the fair value of the loaned securities and (2) in the case of loaned securities not denominated in U.S. dollars or whose primary trading market was not located in the United States, 105% of the fair value of the loaned securities.

The Systems did not impose any restrictions during the fiscal year on the amount of the loans that the custodial bank made on their behalf. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the year. There were no losses during the year resulting from a default of the borrowers or the custodial bank.

The Systems and borrowers each maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested together with the cash collateral of other qualified tax-exempt plan lenders in a collective investment pool. The average duration of such investment pool as of June 30, 2005 was 40 days and an average weighted maturity of 410 days. Because the loans were terminable at will, their duration did not match the duration of the investments made with cash collateral. On June 30, 2005 the Systems had no credit risk exposure to borrowers because the amounts the Systems owed the borrowers exceeded the amounts the borrowers owed the Systems.

The collateral held (including both cash collateral recognized in the “Statements of Plan Net Assets” and non-cash collateral) and the fair values of securities on loan for

PSRS were \$3,753,757,500 and \$3,661,039,721 at June 30, 2005 and \$3,213,285,256 and \$3,143,015,722 at June 30, 2004. Net security lending income was \$10,930,013 for the 2004-2005 fiscal year and \$10,581,715 for the 2003-2004 fiscal year.

The collateral held (including both cash collateral recognized in the “Statements of Plan Net Assets” and non-cash collateral) and the fair values of securities on loan for NTRS were \$308,691,069 and \$301,486,721 at June 30, 2005 and \$220,773,492 and \$215,953,336 at June 30, 2004. Net security lending income was \$950,834 for the 2004-2005 fiscal year and \$836,023 for the 2003-2004 fiscal year.

The collective investment pool in which the collateral received from security lending loans is invested has the following characteristics. The fair value of the investments held by the pooled fund is based upon valuations provided by a recognized pricing service. Because the pooled fund does not meet the requirements of Rule 2a-7 of the Investment Company Act of 1940, the fund’s investments are valued at fair market value for reporting purposes. The pooled fund is not registered with the Securities and Exchange Commission.

The custodial bank and, consequently, the investment vehicles it sponsors (including the pooled fund) are subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. The fair value of the Systems’ position in the pooled fund is not the same as the value of the fund shares. The Systems had no involuntary participation in an external investment pool through this fund and no income from one fund was assigned to another fund by the custodial bank during either fiscal year.

#### Note 5 – Additional Deposits Program

Section 169.035, RSMo provides for an additional deposits program for PSRS members. Members may make payments above the required defined benefit contribution amount to the Retirement System in order to provide a monthly annuity at retirement based on the total of the deposits and interest.

This annuity is in addition to the defined benefit allowance provided by the System. Contributions to the program are tax-sheltered. As of September 1, 1996 new deposits to the program were limited to members currently with deposits in the program. No additional deposits were made during 2004-2005. The deposits and interest of the one member who has not yet retired totaled \$1,553 as of June 30, 2005.

The deposits to the program are included in the investment program of the PSRS defined benefit plan. The additional deposits program’s basis of accounting and the asset valuation are identical to the defined benefit plan.

#### Note 6 – Retirement Plans

##### *Section 401 (a) Defined Benefit Plan*

All full-time Retirement System employees holding a valid Missouri teaching certificate are covered by PSRS. All other eligible employees are members of NTRS. Both Systems provide retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Chapter 169 RSMo contains the statutory provisions of both Systems.

PSRS members were required to contribute 11.0% of their annual covered salary during 2004-2005 and 10.5% during 2003-2004. PSRS, as the employer, was required to match that amount. The contribution rate is established and may be amended by the Board of Trustees. Employer contributions to PSRS totaled \$25,854 for the 2004-2005 fiscal year and \$24,164 for 2003-2004. The amounts for these years are equal to the required contributions.

NTRS members were required to contribute 5.25% of their annual covered salary during 2004-2005 and 5.0% during 2003-2004. PSRS, as the employer, was required to match that amount. The contribution rate is established and may be amended by the Board of Trustees. Employer contributions to NTRS totaled \$244,539 for the 2004-2005 fiscal year and \$216,429 for 2003-2004. The amounts for these years are equal to the required contributions.

##### *Section 457 Deferred Compensation Plan*

A voluntary Section 457 deferred compensation plan is administered to provide additional retirement benefits for employees. The plan provides for employer-matching contributions up to a set maximum. The total contributions are subject to the limitations established in IRC Section 457. The Board of Trustees has authority to establish the employer contribution levels. For employees that are members of PSRS, the System will match up to \$50 per month. For employees that are members of NTRS, the System will match \$50 plus 0.52% of salary per month. For certain employees, the System will make employer-paid contributions of \$1,166 per month. This is governed by individual employment contracts as approved by the Board of Trustees.

All employees immediately vest in the employer-matching

and employer-paid contributions. Employer-matching contributions totaled \$64,679 for the 2004-2005 fiscal year and \$60,804 for the 2003-2004 fiscal year. Employer-paid contributions totaled \$26,000 for the 2004-2005 fiscal year and \$24,000 for the 2003-2004 fiscal year. Employee contributions totaled \$135,975 for the 2004-2005 fiscal year and \$126,939 for the 2003-2004 fiscal year.

Maintenance of individual member accounts and custody of assets have been contracted to a third party administrator and investment custodian. Total contributions are sent directly to the third party administrator by the employer. Employees can self-direct investments of their contributions and their respective share of matching contributions in a number of investment options. Because the System does not hold the plan's assets and does not have significant administrative responsibilities, the plan's assets and changes in net assets are not reported in the Systems' financial statements.

### Note 7 – Risk Management

The Retirement Systems are exposed to various risks of loss related to natural disasters, errors and omissions, loss

of assets, torts, etc. The Systems have chosen to cover such losses through the purchase of commercial insurance. There have been no material insurance claims filed or paid during the past three years.

The Systems have a disaster recovery plan that provides for continued computer operations at a remote location should the retirement office be unavailable for normal operations.

### Note 8 – Commitments and Contingencies

PSRS was committed to the future purchase of investments at a cost of \$4,432,914,634 on June 30, 2005 and to the future purchase of \$1,630,853,923 in investments on June 30, 2004. NTRS had investment commitments of \$405,654,430 on June 30, 2005 and \$163,506,329 on June 30, 2004.

Certain legal proceedings are pending against PSRS and NTRS arising from normal activities. Although unable to predict the outcome of these matters, the Systems believe the final outcome of these actions will not have a material adverse effect on the Systems' financial statements.

## Schedules of Funding Progress

### Required Supplementary Information

#### Public School Retirement System

(Dollar amount in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)– Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
6/30/2000	\$ 19,437,223	\$ 18,279,113 <sup>1</sup>	\$ (1,158,110)	106.3 %	\$ 2,836,062	(40.8)%
6/30/2001	21,146,294	21,282,203 <sup>2</sup>	135,909	99.4	2,982,051	4.6
6/30/2002	22,236,105	23,333,937 <sup>3</sup>	1,097,832	95.3	3,213,461	34.2
6/30/2003	20,047,982	24,719,450 <sup>4</sup>	4,671,468	81.1	3,373,058	138.5
6/30/2004	21,501,572	26,225,259 <sup>5</sup>	4,723,687	82.0	3,408,230	138.6
6/30/2005	23,049,441	27,881,513 <sup>6</sup>	4,832,072	82.7	3,540,649	136.5

<sup>1</sup>Legislative improvements to the benefit formula and ad hoc benefit increases for retirees added \$643 million to the AAL.

<sup>2</sup>Legislative improvements to the benefit formula and ad hoc benefit increases for retirees added \$630.3 million to the AAL. Actuarial assumptions were also revised.

<sup>3</sup>There were no legislative changes in fiscal year 2002.

<sup>4</sup>The extension of the 25-and-Out provision to 2008 is included in the AAL for 2003.

<sup>5</sup>There were no legislative changes in fiscal year 2004.

<sup>6</sup>There were no legislative changes in fiscal year 2005.

#### Non-Teacher School Employee Retirement System

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)– Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
6/30/2000	\$ 1,522,660	\$ 1,395,300 <sup>1</sup>	\$ (127,360)	109.1%	\$ 735,400	(17.3)%
6/30/2001	1,686,242	1,636,076 <sup>2</sup>	(50,166)	103.1	814,158	(6.2)
6/30/2002	1,810,619	1,855,982 <sup>3</sup>	45,363	97.6	895,420	5.1
6/30/2003	1,677,770	2,049,716 <sup>4</sup>	371,946	81.9	971,177	38.3
6/30/2004	1,837,308	2,221,210 <sup>5</sup>	383,902	82.7	984,866	39.0
6/30/2005	2,011,566	2,414,494 <sup>6</sup>	402,928	83.3	1,055,204	38.2

<sup>1</sup>Legislative improvements to the benefit formula and ad hoc benefit increases for retirees added \$121.7 million to the AAL.

<sup>2</sup>Legislative improvements to the benefit formula and ad hoc benefit increases for retirees added \$126.4 million to the AAL. Actuarial assumptions were also revised.

<sup>3</sup>There were no legislative changes in fiscal year 2002.

<sup>4</sup>The extension of the 25-and-Out provision to 2008 is included in the AAL for 2003.

<sup>5</sup>There were no legislative changes in fiscal year 2004.

<sup>6</sup>There were no legislative changes in fiscal year 2005.

See accompanying Independent Auditors' Report

# Schedules of Employer Contributions

## Required Supplementary Information

### Public School Retirement System

Year Ended June 30	Annual Required Contribution (ARC)	Employer Contribution	Percentage Contributed
2000	\$ 304,944,352	\$ 304,944,352	100.0%
2001	324,525,673	324,525,673	100.0
2002	340,000,556	340,000,556	100.0
2003	376,659,713	355,979,027	94.5
2004	475,400,520	359,762,556	75.7
2005	593,328,374	389,415,997	65.6

### Non-Teacher School Employee Retirement System

Year Ended June 30	Annual Required Contribution (ARC)	Employer Contribution	Percentage Contributed
2000	\$ 34,185,605	\$ 34,185,605	100.0%
2001	37,500,243	37,500,243	100.0
2002	45,773,119	45,773,119	100.0
2003	52,847,992	48,933,326	92.6
2004	62,315,910	49,976,808	80.2
2005	73,948,917	53,109,687	71.8

### Notes to the Schedules of Trend Information

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2005
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent, Open
Remaining amortization period	
PSRS	30 years (1)
NTRS	30 years (2)
Asset valuation method	5-year smoothed market
	Marked to Market as of June 30, 2003
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases*	
PSRS	5.0 - 10.0%
NTRS	5.0 - 10.0%
*Includes inflation at	3.5%
Cost-of-living adjustments	3.5%

1) 30 year amortization assumes an ARC rate of 27.78% for fiscal year 2006. The annual statutory increase in the total contribution rate may not exceed 1% of pay. Contribution rates will be established by actuarial valuation.

2) 30 year amortization assumes an ARC rate of 12.6% for fiscal year 2006. The annual statutory increase in the total contribution rate may not exceed .5% of pay. Contribution rates will be established by actuarial valuation.

See accompanying Independent Auditors' Report



## Schedule of Administrative Expenses

For the year ended June 30, 2005

	<u>PSRS</u>	<u>NTRS</u>	<u>TOTAL</u>
<b>Personal services</b>	\$ 3,149,124	\$ 2,098,063	\$ 5,247,187
<b>Professional services</b>			
Actuarial	62,783	44,662	107,445
Audit	23,880	15,920	39,800
Computer consultants	230,627	140,858	371,485
Insurance consultant	3,600	2,400	6,000
Legislative consultant	19,200	12,800	32,000
Other consultants	71,597	47,731	119,328
Legal expenses	139,945	87,611	227,556
Total professional services	551,632	351,982	903,614
<b>Communications</b>			
Information and publicity	360,530	256,107	616,637
Postage	84,850	49,237	134,087
Printing	35,337	28,268	63,605
Staff field	46,864	29,917	76,781
Telephone	60,235	40,157	100,392
Total communications	587,816	403,686	991,502
<b>Miscellaneous</b>			
Building and utilities	84,884	56,589	141,473
Board of Trustees (see note)	885	590	1,475
Insurance	94,715	62,827	157,542
Office	245,663	164,326	409,989
Staff development	128,679	87,706	216,385
Miscellaneous	93,619	31,562	125,181
Total miscellaneous	648,445	403,600	1,052,045
<b>Charge for use of capital assets</b>	-	306,345	306,345
<b>Depreciation expense</b>	629,411	-	629,411
<b>Total administrative expenses</b>	<u>\$ 5,566,428</u>	<u>\$ 3,563,676</u>	<u>\$ 9,130,104</u>

*Note: Board of Trustees expenses are now tracked by object of expenditure like all other administrative expenses. The total expenses included above for Board-related expenses totaled \$128,627. This includes the expenses of conducting Board of Trustees' meetings.*

*See accompanying Independent Auditors' Report*

## Schedule of Investment Expenses

For the year ended June 30, 2005

	PSRS	NTRS	Combined Totals
Investment management expenses			
U.S. equity	\$ 15,365,543	\$ 1,315,212	\$ 16,680,755
International equity	13,447,055	1,165,726	14,612,781
Fixed income	6,181,795	534,833	6,716,628
Real Estate	48,408	4,210	52,618
Private equity	1,461,705	110,021	1,571,726
Total investment management expenses	36,504,506	3,130,002	39,634,508
Investment consultant fees	610,988	62,828	673,816
Custodial bank fees	3,106,253	270,109	3,376,362
Investment staff expenses	442,435	295,181	737,616
Commission recapture income	(1,141,123)	(96,809)	(1,237,932)
Total investment income expenses	\$ 39,523,059	\$ 3,661,311	\$ 43,184,370
Security lending expenses			
Agent fees	\$ 2,256,649	\$ 186,140	\$ 2,442,789
Broker rebates	72,039,821	5,268,841	77,308,662
Total security lending expenses	\$ 74,296,470	\$ 5,454,981	\$ 79,751,451

See accompanying Independent Auditors' Report

## Schedule of Professional/Consultant Fees

For the year ended June 30, 2005

	<u>PSRS</u>	<u>NTRS</u>	<u>Combined Totals</u>
Actuarial services	\$ 62,783	\$ 44,662	\$ 107,445
Legal counsel	139,945	87,611	227,556
Financial audit	23,880	15,920	39,800
Legislative consulting	19,200	12,800	32,000
Technology consulting	230,627	140,858	371,485
Insurance consulting	3,600	2,400	6,000
Other consulting	71,597	47,731	119,328
Total fees	<u>\$ 551,632</u>	<u>\$ 351,982</u>	<u>\$ 903,614</u>

See accompanying Independent Auditors' Report

## Investment Section

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Russell Investment Group

909 A Street  
Tacoma, Washington 98402-5120  
253-439-4243  
Fax: 253-439-2491

December 13, 2005

To the Members of the Board:

Fiscal year 2005 was a period of ups and downs. The fiscal year got off to a slow start with diminished oil inventories and drastically rising unemployment claims as a result of hurricane-related layoffs. After a strong stock market rally in October of 2004, the following two quarters had lackluster results. The tsunami that hit south Asia in December 2004 had a devastating effect on the region's human landscape, but had little effect on the markets. The effects of rising oil prices were felt in both the equity and debt markets, though they both ended the fiscal period with strong positive returns.

The Total Fund return for the fiscal year ended June 30, 2005 was 9.2 percent for PSRS, and 9.3 percent for NTRS, just short of the policy benchmark return of 9.4 percent. U.S. equity results were mixed for the year, with two quarters of positive and above-benchmark returns and two quarters of negative and below-benchmark returns. Non-U.S. equity had a very strong second quarter, up 15.3 percent for PSRS and 15.4 percent for NTRS, and ended the fiscal year up 16.2 percent and 16.5 percent, respectively. The U.S. bond market had a strong year, and both PSRS and NTRS ended the fiscal period up more than 7 percent, and ahead of the Lehman Brothers Aggregate Bond Index. The Real Return Pool fell short of the Lehman Tips Index for the fiscal period, with a return of 6.7 percent and 6.6 percent for the PSRS and NTRS plans, compared with the index return of 9.3 percent. This shortfall reflects the current strategic position of the Real Return Pool, which is shorter in duration than the Lehman Tips Index and is structured to outperform in rising rate environments.

Over the fiscal year 2005, the Board continued the restructuring of the plans in order to reach the 8.0 percent return goals. The allocation to E-MAP (Equity Manager Alpha Pool) was increased to 15.0 percent of the U.S. equity composite, and discretion was given to selectively utilize long/short strategies. The S-CAP (Small Capitalization Alpha Pool) composite was created and implemented, including allocations to two micro-cap managers. Expansion of the Real Return Pool continued with the hiring of Bridgewater.

We at Russell have enjoyed this productive year working with Missouri PSRS/NTRS, and are looking forward to the coming year.

Regards,



Michael Hall, A.S.A., E.A., M.A.A.A., CFA  
Director of Asset Liability Strategies  
Senior Consultant

Regards,



Rachel Carroll, CFA  
Senior Consulting Analyst





December 21, 2005

To the Members of the Systems:

On behalf of the PSRS and NTRS internal investment staff, I am pleased to present the following reports on the Systems' investments for the fiscal year ending June 30, 2005. The combined Retirement Systems ended the year as one of the 50 largest defined benefit plans in the United States with total assets of \$25.7 billion.

The Systems' assets increased over \$1.8 billion in fiscal year 2005 as the total fund performance was 9.2% for PSRS and 9.3% for NTRS. The total annualized fund performance for the five-year period was 4.2% for both PSRS and NTRS. The Systems' basic investment objective is to achieve a total return that exceeds the actuarial assumption of 8.0% over rolling five-year periods. Thus, while PSRS and NTRS exceeded the 8.0% assumption this past year, the objective was not achieved over the most recent five-year period. Over longer time periods (10 years), the Systems' annual investment return remains above the 8.0% objective. The total annualized fund performance for the 10-year period was 8.8% for both PSRS and NTRS. Investment performance is calculated using a time-weighted rate of return based on the market rate of return in accordance with the CFA Institute's (formerly AIMR) Performance Presentation Standards.

The investment program will continue to play an ever critical role within the PSRS and NTRS Systems, particularly as the total benefit payments to the retiree population increases. In the recently completed fiscal year, for example, benefit payments exceeded \$1.2 billion. With employer and member contributions totaling only \$900 million in fiscal year 2005, it is easy to see the vital role a strong investment portfolio plays in the Systems' success.

#### *Changing asset allocation*

The investment staff at PSRS and NTRS follows a clear philosophy and a well-defined style and process to achieve desired long-term investment returns while controlling risk and managing costs. However, as referenced in last year's annual report, significant changes to the asset allocation and investment structure at PSRS and NTRS have occurred over the last three years. Specifically, the Systems have systematically lowered the allocation to core bonds and increased the allocation to other asset classes. This is a direct result of the expectation for lower capital market (bond and stock) returns and a desire to maintain low portfolio volatility (through increased diversification of assets).

The cornerstones of our investment portfolio produced solid returns in fiscal year 2005 with the U.S. equity portfolio returning 7.9% and core bonds returning 7.0%. However, the strongest performing assets included many of the investments that the Systems recently added to the portfolio mix or increased in size in the portfolio allocation. The PSRS and NTRS high yield bond portfolio returned 9.2% in fiscal year 2005, the non-U.S. equity portfolio moved 16.2% higher and the dedicated emerging market equity portfolio increased 32.9% in fiscal year 2005.

The solid investment performance of the *past* was the result of a two dimensional portfolio of stocks and bonds. We believe that the investment success of the *future* will be centered around a more broadly diversified program complemented by non-traditional investment strategies (such as real estate and private equity) and more active management of assets.

#### *Non-traditional assets*

The Board made allocations to real estate and private equity over the last several years as a way to improve returns (relative to bonds), diversify stock risk and contribute greater stability to the overall portfolio. However, as can be noted on the following pages of the Investment Section, the target allocations have not been fully implemented. Significant progress was made toward funding the real estate and private equity mandates in fiscal year 2005 and as of June 30, PSRS and NTRS had committed<sup>1</sup> \$973 million to private equity and real estate funds and invested just over \$206 million. This area continues to be a major focus for the Systems as the Board, staff and consultant work prudently toward the target allocation. To that end,

by the publication date for this report (December 21, 2005), the Systems had committed over \$1.4 billion to real estate and private equity with total investments of almost \$670 million.

### *Active management strategies*

Active management within an asset class is designed to earn returns above those that can be achieved by investing passively through index funds. Those excess returns (or ‘alpha’) specifically represent value added above a benchmark. For example, if a U.S. equity investment manager earned 8.0% for the year while the U.S. equity S&P 500 Index returned 7.0%, the manager added 1.0% alpha (or a 1.0% return above the passive index).

While the total fund returns for the Systems fell slightly below the broad policy benchmark for fiscal year 2005, the long-term investment management returns for the Systems have been consistently above the policy benchmark. For example, the Systems have added 50 basis points (0.50%) of value annually over its composite benchmark portfolio for the last five years and 100 basis points (1.0%) of value annually over the last 10 years ending June 30, 2005. To put that into perspective, one basis point of value-added translates into roughly \$2.6 million based on fiscal year-end valuation levels. Over the 10-year period, the 90 basis points of value added through active management equates to approximately \$1.7 billion in additional assets in the Systems’ investment portfolios.

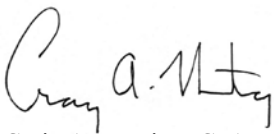
We will continue in our search for ‘alpha’ by increasing the level of active management in the total portfolio in both traditional and non-traditional strategies. An incremental and prudent increase in the active strategies will improve the diversification of the individual investment returns and ultimately produce more consistent (and higher) total expected portfolio returns.

### *Looking to the future*

The changing asset allocation and investment structure have added significant value to the Systems over the past three years. However, their true worth should be even more apparent over the challenging economic and capital market environments that we expect over the next five to 10 years. Even with the enhancements we have made to focus on higher value-added assets and more active management, the longer run expected return for the Systems’ assets is approximately 8.0% per year, right at the return necessary to maintain the financial stability of PSRS and NTRS. Thus, the Board, staff and consultant will continue to build on the investment program to ensure that the portfolio can achieve the desired returns and add value in all market environments.

Under the support and guidance of the Board of Trustees, I am confident that the investment program at PSRS and NTRS will continue to evolve. Most importantly, I believe the portfolio is well positioned to ensure that all members receive the financial security that they have earned through their hard work and dedication.

Sincerely,



Craig A. Husting, CFA  
Chief Investment Officer

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<sup>1</sup> Committed capital reflects the total amount of assets that the Systems are legally obligated to supply to the partnerships and funds as the capital is needed to invest in underlying holdings. It does not indicate actual dollars invested.



# Investment Highlights

As of June 30, 2005

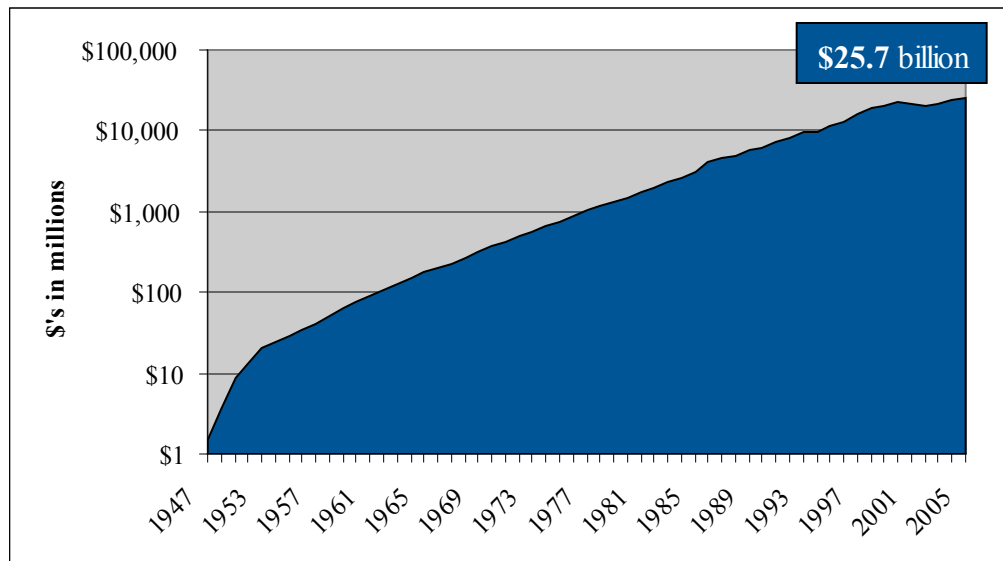
The Board of Trustees of the Public School and the Non-Teacher School Employee Retirement Systems (PSRS/NTRS) is charged with the responsibility for investing the assets of the Systems in a manner consistent with the fiduciary standards set forth in the 'prudent person' rule. To that end, the Board has adopted the following principles to guide all investment-related decisions:

- (1) Act in the exclusive interest of the members of the Systems,
- (2) Maximize total return within prudent risk parameters,
- (3) Preserve the long-term purchasing power of the fund.

The investment portfolios of PSRS/NTRS represent all contributions to the plans, from members and their employers, as well as all net earnings on these assets. These funds are held in support of both current and future liabilities.

Total assets grew to \$25.7 billion as of June 30, 2005 from \$23.9 billion at the beginning of the fiscal year, increasing by approximately \$1.8 billion. This growth resulted from positive performance in the equity and fixed income markets. The long-term growth in assets since the inception of PSRS in 1946 and NTRS in 1965 is shown in the graph below.

## 58 Years of Growth



# PSRS/NTRS Asset Allocation

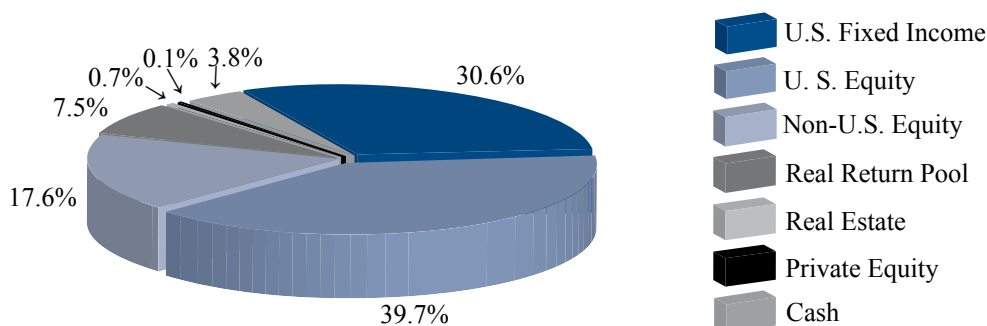
As of June 30, 2005

The time horizon of the Systems' investment portfolio reflects the long-term nature of the PSRS/NTRS pension obligations. Accordingly, diversification among investments displaying unique risk and return characteristics provides the framework for selecting an asset allocation that is expected, in the aggregate, to give the funds the highest long-term return within a prudent risk level.

The Systems' investment portfolio includes strategic, long-term commitments in the following asset classes: U.S. Fixed Income, U.S. Equities, Non-U.S. Equities, Real Return Assets, Real Estate and Private Equity. Until the Real Estate and Private Equity asset classes are fully invested, interim investments are being held in U.S. Fixed Income, U.S. Equity and the Real Return Pool. The Systems' asset allocation is reviewed in conjunction with plan liabilities at least every three years.

## Asset Allocation

June 30, 2005



Asset Type	PSRS Market Value	NTRS Market Value	Combined Funds	% of Total	Target Allocation
U.S. Fixed Income	\$ 7,218,382,814	\$ 627,417,816	\$ 7,845,800,630	30.6%	32.0%
U.S. Equity	9,390,941,160	806,229,289	10,197,170,449	39.7	37.0
Non-U.S. Equity	4,138,876,345	367,899,663	4,506,776,008	17.6	18.0
Real Return Pool	1,765,927,655	158,419,708	1,924,347,363	7.5	5.0
Real Estate	162,215,735	13,532,190	175,747,925	0.7	5.0
Private Equity	27,534,837	2,072,514	29,607,351	0.1	3.0
Cash & Equivalents*	890,350,546	81,077,941	971,428,487	3.8	0.0
Total Investments**	\$ 23,594,229,092	\$ 2,056,649,121	\$ 25,650,878,213	100.0%	100.0%

\*All manager-held cash is reflected as cash & equivalents. Fixed income managers often hold cash or cash equivalents as part of an active management strategy.

\*\* Total investments includes accrued income and excludes securities lending collateral as of June 30, 2005.

# Total Fund Review

Periods Ended June 30, 2005

## Total Fund Investment Returns\*

The Board has established a long-term goal to achieve a total investment return of at least 8.0% per year and a real rate of return of at least 4.5% per year. The real rate of return is the rate by which the long-term total return exceeds the inflation rate.

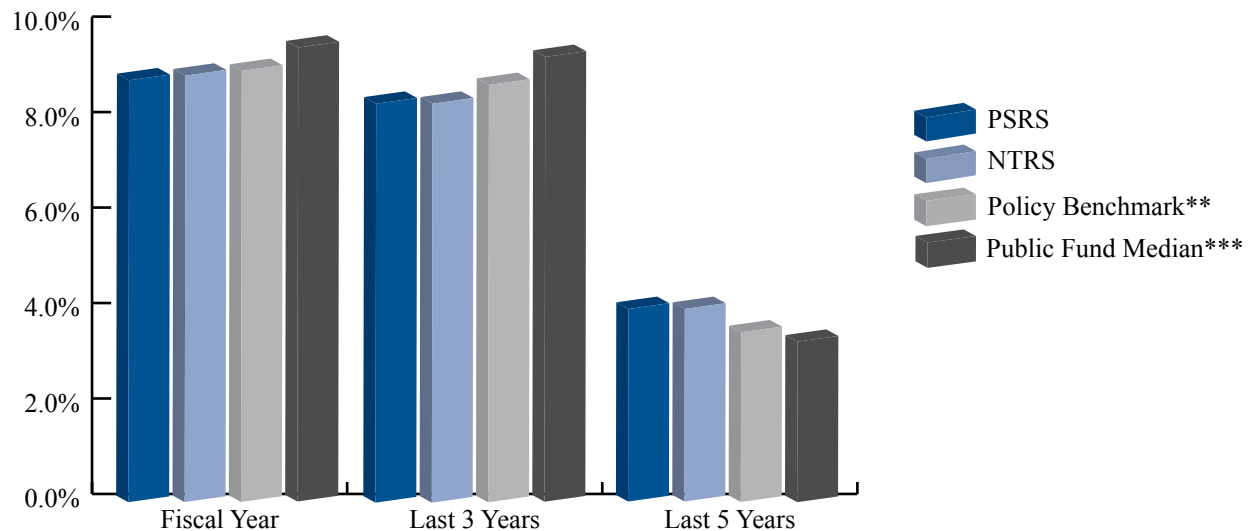
The one-year total returns of 9.2% for PSRS and 9.3% for NTRS, as well as the three-year returns of 8.7%, were above the long-term investment objective of 8.0%

due to positive equity and fixed income market environments. The Systems' one- and three-year returns were below the public fund median return due primarily to the conservative asset allocation employed by the Systems during a time when riskier assets performed well. The five-year returns exceeded the public fund median, again, due to the conservative asset allocation employed by PSRS/NTRS during a period when riskier assets generally lagged fixed income returns.

## Total Fund Investment Returns

June 30, 2005

	<u>Fiscal Year</u>	<u>Last 3 Years</u>	<u>Last 5 Years</u>
PSRS	9.2%	8.7%	4.2%
NTRS	9.3	8.7	4.2
Policy Benchmark **	9.4	9.1	3.7
Public Fund Median ***	9.9	9.7	3.5



\* Returns were prepared using a time-weighted return in accordance with the CFA Institute's (formerly AIMR) Performance Presentation Standards.

\*\* The policy benchmark is comprised of 32.75% Lehman Aggregate Index, 37% Russell 3000 Index, 18% MSCI All Country World ex-U.S. Free Index, 7.5% Lehman U.S. TIPS Index, 1.75% Merrill Lynch High Yield Master II Index, 1.5% S&P 500 Index and 1.5% Russell 2000 Index.

\*\*\* The public fund median return reflects the performance of a universe of public pension plans with assets in excess of \$1 billion.

# Fixed Income Review

As of June 30, 2005

## Market Value

As of June 30, 2005, the combined PSRS/NTRS fixed income assets managed by external investment advisors had a market value of approximately \$8.5 billion, representing 33.1% of total assets.

## Fixed Income Statistics

The following table displays the statistical characteristics of the PSRS/NTRS bond portfolio as of June 30, 2005 with comparisons shown to the Lehman Brothers U.S. Aggregate Bond Index.\* Additionally, the top 10 fixed income holdings as of June 30, 2005 are compared to the top 10 holdings of five years ago.

Characteristics	June 30, 2005 Combined Systems**	June 30, 2005 Lehman Aggregate Index**
Number of Securities	11,475	5,979
Average Coupon	5.4%	5.3%
Yield to Maturity	4.5%	4.4%
Average Maturity (Years)	5.8	6.3
Duration (Years)	3.9	4.3

Top 10 Largest Holdings*** June 30, 2005	Combined Market Value	% of Total Bonds	Top 10 Largest Holdings*** June 30, 2000	Combined Market Value	% of Total Bonds
USTN, 4.875%, 2/15/12	\$ 131,143,738	1.6%	USTB, 6.25%, 8/15/23	\$ 225,932,216	2.2%
USTB, 7.875%, 2/15/21	118,106,191	1.5	USTB, 6.13%, 2/15/11	127,017,188	1.2
FNMA TBA JUL 30, 5.5%, SNGL FAM	100,801,903	1.3	FNMA, TBA AUG 30, 7%	124,790,772	1.2
USTB, 8.125%, 8/15/19	99,402,357	1.3	USTN, 5.75%, 10/31/02	114,572,281	1.1
USTN, 3.75%, 3/31/07	96,400,419	1.2	USTN, 7.15%, 2/15/05	101,431,813	1.0
FNMA TBA JUL 15, 5.0%, SNGL FAM	81,904,924	1.0	USTN, 5.75%, 6/30/01	77,415,000	0.8
USTB, 6.25%, 8/15/23	69,675,912	0.9	GNMA TBA AUG 30, 7.5%	75,902,535	0.8
FNMA TBA AUG 30, 6.0%, SNGL FAM	67,188,753	0.9	FNMA TBA AUG 30, 6.5%	70,781,750	0.7
USTN, 2.375%, 8/31/06	62,917,993	0.8	GNMA TBA AUG 30, 8%	68,435,964	0.7
USTN, 3.375%, 2/15/08	59,370,635	0.8	GNMA TBA AUG 30, 7%	67,900,000	0.7
Total	\$ 886,912,825	11.3%	Total	\$ 1,054,179,519	10.4%

## Key to Holdings

USTN = U.S. Treasury Note  
USTB = U.S. Treasury Bond

FNMA = Federal National Mortgage Association  
GNMA = Government National Mortgage Association

\* The Board of Trustees approved a change in the Systems' fixed income composite benchmark from 100% Lehman Aggregate Index to 95% Lehman Aggregate Index and 5% Merrill Lynch High Yield Master II Index as of October 1, 2004.

\*\* The methodology for calculating the number of securities in the Lehman Aggregate Index differs slightly from that utilized for the combined Systems.

\*\*\* Includes only actively managed separate accounts.

A complete list of portfolio holdings is available upon request.

# Fixed Income Review

As of June 30, 2005

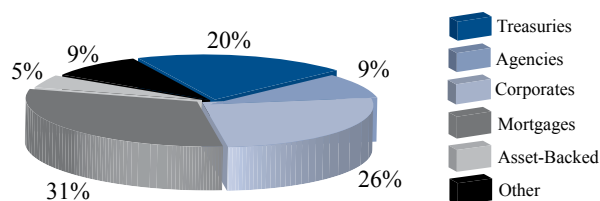
## Fixed Income Structure

As of June 30, 2005, approximately 21.1% of the PSRS/NTRS fixed income portfolio was passively managed by State Street Global Advisors while the remaining 78.9% was actively managed by six separate external managers across seven mandates. Passive exposure to fixed income was reduced in fiscal year 2005 through the addition of Pacific Investment Management Company (PIMCO) to the

Systems' fixed income structure. PIMCO provides PSRS/NTRS with additional exposure to active core plus investment management. The pie charts below depict the fixed income composite by showing the current sector allocation of the portfolio compared with that of five years ago on a market value basis.

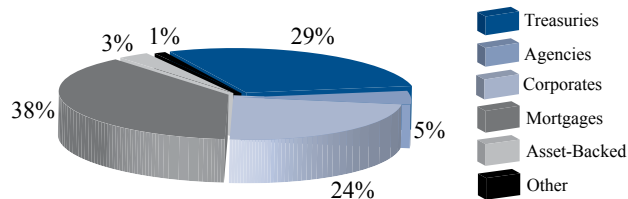
### Sector Allocation

June 30, 2005



### Sector Allocation

June 30, 2000



## Fixed Income Investment Advisors

The following firms were under contract with PSRS/NTRS as of June 30, 2005 for management of fixed income securities.

Investment Advisor	Investment Style	Combined Portfolio Market Value*	% of Total Market Value
BlackRock Financial Mgmt - Core Plus	Active Core Plus	\$ 688,778,807	2.7%
BlackRock Financial Mgmt - Mortgages	Active Mortgages	879,444,825	3.4
NISA Investment Advisors	Active Core	1,627,710,053	6.3
Payden & Rygel	Active Core Plus	769,466,685	3.0
Pacific Investment Mgmt Company	Active Core Plus	1,066,388,445	4.2
Seix Investment Advisors	High Yield	444,323,122	1.7
State Street Global Advisors	Passive	1,789,317,968	7.0
Wellington Management Company	Active Core	1,218,177,060	4.8
Total		\$ 8,483,606,965	33.1%

\*Includes manager cash.

# Fixed Income Review

Periods ended June 30, 2005

## Fixed Income Investment Returns

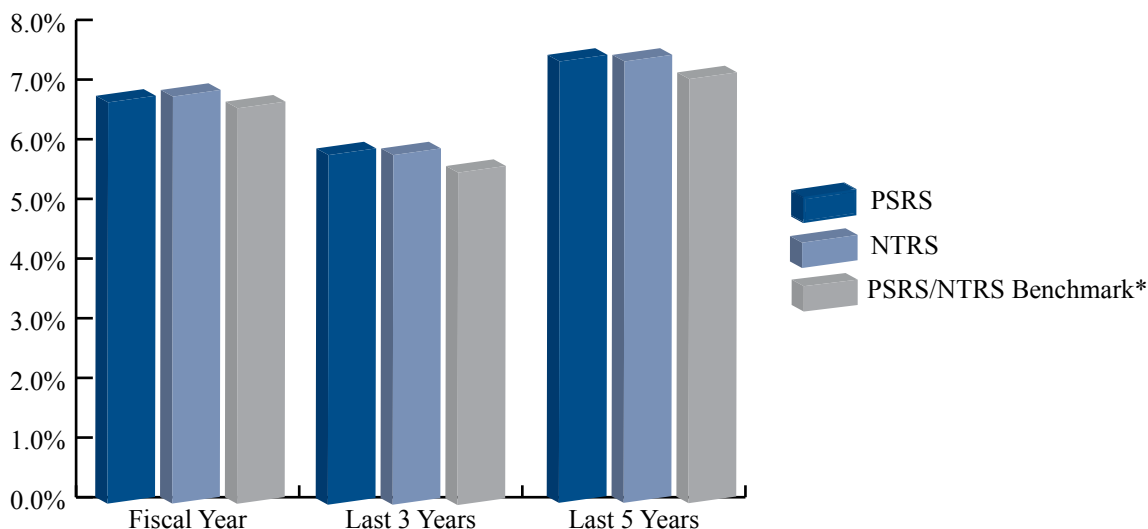
The fiscal year ending June 30, 2005 was a good year for fixed income assets even as the Federal Reserve continued to increase the federal funds target rate. The total returns on the PSRS and NTRS bond portfolios for the fiscal year were 7.0% and 7.1%, respectively, thereby exceeding the performance of the PSRS/NTRS Fixed Income Bench-

mark.\* Over the three-year period ended June 30, 2005, the PSRS and NTRS bond portfolios achieved annual returns of 6.1% and, for the five-year period, returns of 7.7%. These three- and five-year returns exceeded the Benchmark by 30 basis points for both time periods.

## Fixed Income Investment Returns

June 30, 2005

	<u>Fiscal Year</u>	<u>Last 3 Years</u>	<u>Last 5 Years</u>
PSRS	7.0%	6.1%	7.7%
NTRS	7.1	6.1	7.7
PSRS/NTRS Benchmark*	6.9	5.8	7.4



\* The PSRS/NTRS Fixed Income Benchmark was comprised of 95.0% Lehman Aggregate Bond Index and 5.0% Merrill Lynch High Yield Master II index as of June 30, 2005.

# Domestic Equity Review

As of June 30, 2005

## Market Value

As of June 30, 2005, the combined PSRS/NTRS domestic equity assets had a market value of approximately \$10.3 billion, representing 40.3% of total assets.

## Domestic Equity Statistics

The following table displays the statistical characteristics of the PSRS/NTRS domestic equity portfolio as of June 30, 2005 with comparisons shown to the portfolio's policy benchmark (Russell 3000 Index). Additionally, the top 10 U.S. stock holdings as of June 30, 2005 are compared to the top 10 holdings of five years ago.

Characteristics	June 30, 2005 Combined Systems	June 30, 2005 Russell 3000 Index
Number of securities	2,870	3,000
Dividend yield	1.4%	1.7%
Price-to-earnings ratio	19.7	20.5
Avg. market capitalization	\$ 65.4 billion	\$ 70.7 billion
Price-to-book ratio	4.1	3.8

Top 10 Largest Holdings* June 30, 2005	Combined Market Value	% of Total U.S. Equities	Top 10 Largest Holdings* June 30, 2000	Combined Market Value	% of Total U.S. Equities
Citigroup Inc	\$ 145,919,124	1.7%	Intel Corp	\$ 153,136,358	1.8%
General Electric Co	137,045,809	1.6	Cisco Systems Inc	134,634,083	1.6
Exxon Mobil Corp	118,450,670	1.3	Dell Computer Corp	111,166,254	1.3
Johnson & Johnson	110,490,640	1.2	Microsoft Corp	110,137,280	1.3
Google Inc	97,987,836	1.1	Pfizer Inc	103,959,408	1.2
Yahoo Inc	95,421,110	1.1	General Electric Co	100,922,918	1.2
Dell Computer Corp	93,637,594	1.1	Home Depot Inc	88,300,037	1.1
Microsoft Corp	90,574,713	1.0	Wal-Mart Stores Inc	87,081,229	1.0
Genentech Inc	88,148,965	1.0	Amgen Inc	65,097,865	0.8
eBay Inc	85,944,473	1.0	Applied Materials	59,556,031	0.7
Total	\$ 1,063,620,934	12.1%	Total	\$ 1,013,991,463	12.0%

\*Includes only actively managed separate accounts.  
A complete list of portfolio holdings is available upon request.

# Domestic Equity Review

As of June 30, 2005

## Domestic Equity Structure

As of June 30, 2005, 29.4% of the PSRS/NTRS domestic equity portfolio was passively managed and 7.6% was managed in an enhanced index style. The remainder of the portfolio was actively managed and diversified across a broad array of capitalization ranges and investment styles.

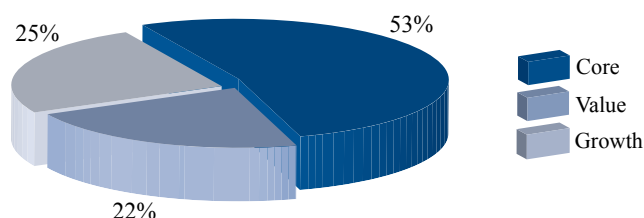
The Equity Manager Alpha Pool (E-MAP) is a multi-manager composite held within the overall PSRS/NTRS domestic

equity structure. The E-MAP Program was expanded from 9.0% to 15.0% of domestic equity assets by the Board of Trustees in February 2005.

The pie charts below depict the domestic equity portfolio by presenting the current style structure of the portfolio for comparison with that of five years ago on a market value basis.

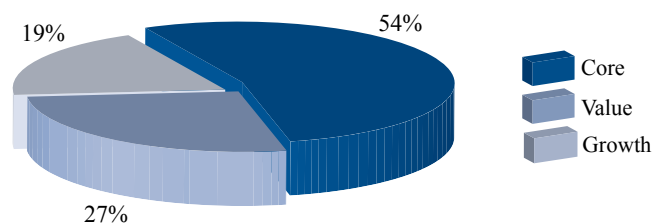
### Style Allocation

June 30, 2005

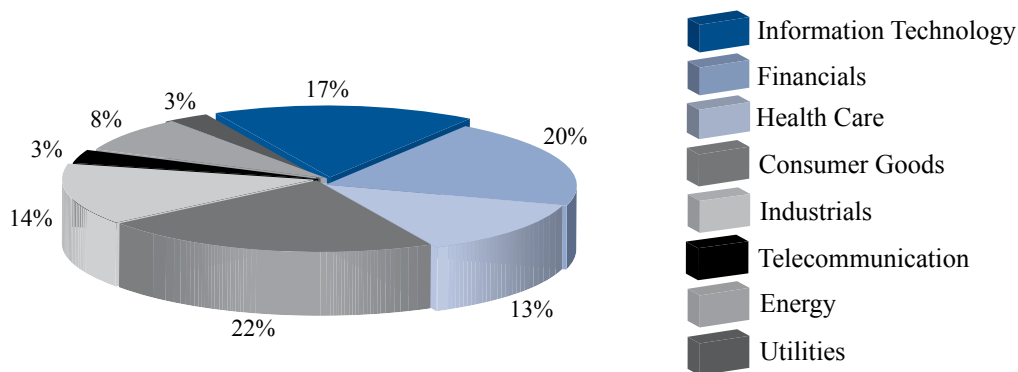


### Style Allocation

June 30, 2000



The following pie chart shows the allocation to sectors within the domestic equity market for the PSRS/NTRS portfolio as of June 30, 2005.





# Domestic Equity Review

As of June 30, 2005

## Domestic Equity Investment Advisors

The following firms were under contract with PSRS/NTRS as of June 30, 2005 for management of domestic equity securities.

Investment Advisor	Investment Style	Combined Portfolio Market Value* As of June 30, 2005	% of Total Market Value
Alliance Capital Management	Active Large Cap Growth	\$ 902,345,968	3.5%
AQR Capital Management	Active Small Cap Core	80,477,974	0.3
Aronson + Johnson + Ortiz	Active Large Cap Value	912,474,468	3.5
Chartwell Investment Partners	Active Small Cap Growth	130,408,094	0.5
Duncan-Hurst Capital Management	Active Micro Cap Growth	70,981,889	0.3
<i>E-MAP: Analytic Investors - Core</i>	Structured Large Cap 120/20 Core	149,129,095	0.6
<i>E-MAP: Analytic Investors - Value</i>	Structured Large Cap Value	93,269,205	0.4
<i>E-MAP: Aronson + Johnson + Ortiz</i>	Active Large Cap 130/30 Value	94,985,519	0.4
<i>E-MAP: Chartwell Investment Partners</i>	Active Small Cap Value	66,551,670	0.2
<i>E-MAP: Legg Mason Capital Mgmt.</i>	Active Large Cap Core	181,358,986	0.7
<i>E-MAP: Martingale Asset Management</i>	Active Large Cap 130/30 Growth	115,494,794	0.5
<i>E-MAP: New Amsterdam Partners</i>	Active Large Cap Core	132,513,557	0.5
<i>E-MAP: Next Century Growth Investors</i>	Active Small Cap Growth	67,061,203	0.2
<i>E-MAP: Westwood Management</i>	Active Large Cap Value	178,931,463	0.7
<i>E-MAP: Zevenbergen Capital</i>	Active All Cap Growth	131,397,055	0.5
Equity Manager Alpha Pool Subtotal		1,210,692,547	4.7
Equity Transition Account	Large Cap Core	61,101,963	0.2
Goldman Sachs Asset Management	Large Cap Quantitative Core	738,613,322	2.9
Jacobs Levy Equity Management	Structured Large Cap Growth	518,364,360	2.0
SSgA - Enhanced S&P 500 Index	Enhanced Large Cap Core	785,677,301	3.1
SSgA - Russell 2000 Index Fund	Passive Russell 2000 Index	403,772,984	1.6
SSgA - S&P 500 Index Fund	Passive S&P 500 Index	2,634,721,796	10.3
Systematic Financial Management	Active Small Cap Value	94,632,229	0.4
TCW Asset Management Company	Active Large Cap Growth	552,105,258	2.2
Thomson, Horstmann & Bryant, Inc.	Active Small Cap Core	334,446,364	1.3
UBS Global Asset Management (Brinson)	Active Large Cap Value	775,041,828	3.0
Westcap Investors	Active Small Cap Growth	122,336,274	0.5
Total		\$ 10,328,194,619	40.3%

\*Includes manager cash.

# Domestic Equity Review

Periods ended June 30, 2005

## Domestic Equity Investment Returns

The U.S. equity market provided average returns during the Systems' fiscal year 2005 following outstanding performance in fiscal year 2004. The total return on the PSRS and NTRS domestic equity portfolios was 7.9% and 8.1%, respectively, compared to the benchmark return of 8.1% for the fiscal year ended June 30, 2005.

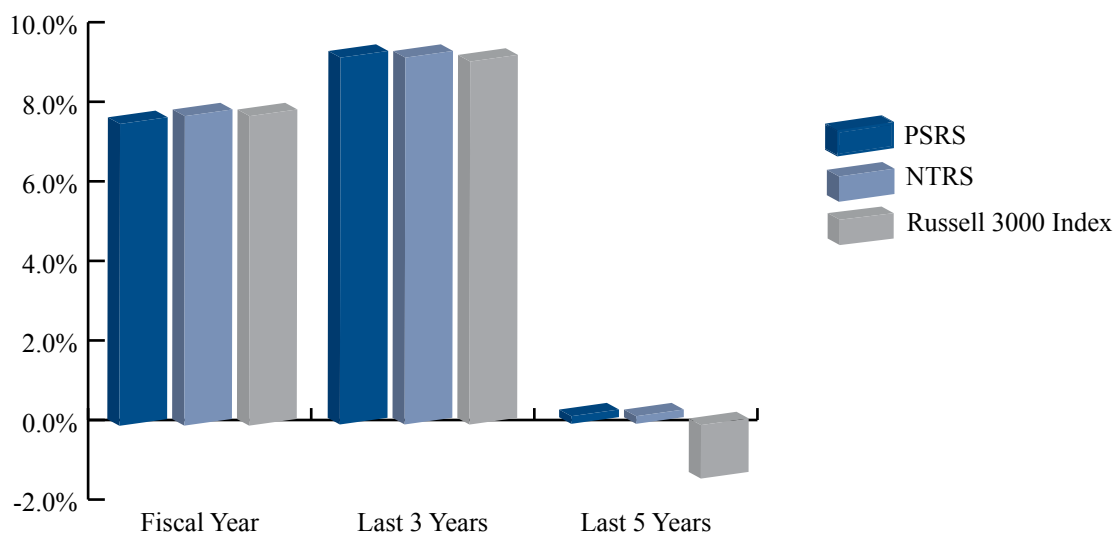
As shown in the table and graph below, the Systems' annualized returns for the past three- and five-year time periods exceeded the benchmark return by 10 basis points and

160 basis points, respectively. This outperformance can primarily be attributed to the value added by the Systems' active management strategies. Portfolios concentrated in small capitalization stocks tended to outperform portfolios holding larger capitalization stocks in fiscal year 2005 while value oriented portfolios outperformed growth style funds during the year. The low absolute returns for the five-year period reflect the extreme bear market experienced in domestic equities following the market peak in March 2000.

## Domestic Equity Investment Returns

June 30, 2005

	<u>Fiscal Year</u>	<u>Last 3 Years</u>	<u>Last 5 Years</u>
PSRS	7.9%	9.6%	0.2%
NTRS	8.1	9.6	0.2
Russell 3000 Index	8.1	9.5	(1.4)



# Non-U.S. Equity Review

As of June 30, 2005

## Market Value

As of June 30, 2005, the combined PSRS/NTRS non-U.S. equity assets managed by external investment advisors had a market value of approximately \$4.6 billion, representing 18.1% of total assets.

## Non-U.S. Equity Statistics

The following table displays the top 10 non-U.S. stock holdings as of June 30, 2005 as compared to the top 10 holdings of five years ago.

Top 10 Largest Holdings* June 30, 2005	Combined Market Value	% of Total Non-U.S. Equities	Top 10 Largest Holdings* June 30, 2000	Combined Market Value	% of Total Non-U.S. Equities
BP PLC	\$ 62,227,389	1.3%	Vodafone Airtouch	\$ 75,708,481	2.1%
GlaxoSmithKline	51,024,892	1.1	ING Groep NV	62,053,227	1.7
Vodafone Group	49,993,954	1.1	Vivendi	54,287,168	1.5
Nestle SA	48,202,763	1.1	Kon KPN N.V.	51,640,898	1.5
Canon Inc	47,185,946	1.0	Novartis AG	45,261,098	1.3
Royal Bk Scot Group	47,063,340	1.0	Canon Inc	45,163,818	1.3
Sanofi Aventis	43,803,808	1.0	Aventis SA	45,157,898	1.3
Total SA	43,739,923	1.0	Nippon Tel	44,085,195	1.2
Toyota Motor Corp	43,357,946	1.0	Glaxo Wellcome	42,917,472	1.2
Diageo	43,264,885	1.0	Telecom Italia SPA	42,539,908	1.2
Total	\$ 479,864,846	10.6%	Total	\$ 508,815,163	14.3%

\* Includes only actively managed separate accounts.

A complete list of portfolio holdings is available upon request.

# Non-U.S. Equity Review

As of June 30, 2005

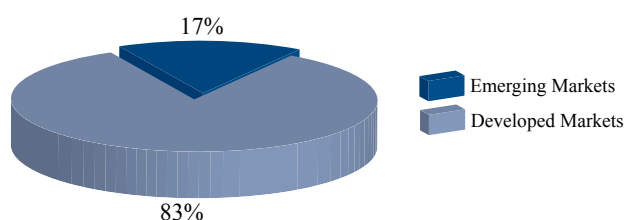
## Non-U.S. Equity Structure

As of June 30, 2005, the PSRS/NTRS non-U.S. equity portfolios were 100% actively managed and diversified across capitalization ranges, styles and a number of developed and emerging market countries. Significant changes were initiated in fiscal year 2004 to the manager structure of the Systems' non-U.S. equity composite to increase di-

versification and to create a more efficient configuration. In addition, dedicated exposure to emerging market equities was implemented. The pie chart below presents a breakdown of investments in developed and emerging markets in the non-U.S. equity composite and the bar graph depicts the specific country exposure.

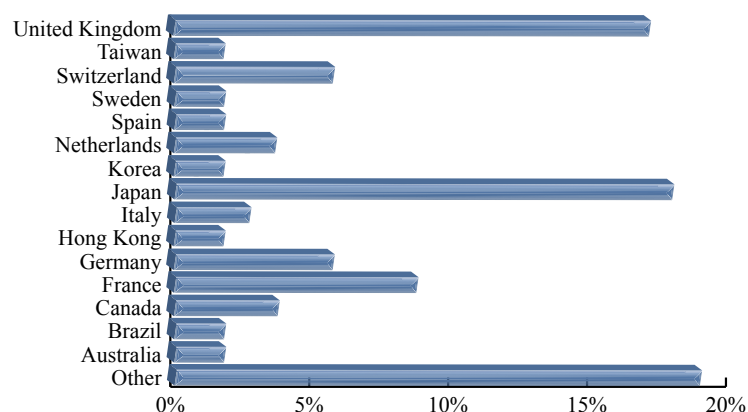
### Market Allocation

June 30, 2005



### Country Allocation

June 30, 2005



## Non-U.S. Equity Investment Advisors

The following firms were under contract with PSRS/NTRS as of June 30, 2005 for management of non-U.S. equity securities.

Investment Advisor	Investment Style	Combined Portfolio Market Value* As of June 30, 2005	% of Total Market Value
AllianceBernstein Institutional Mgmt.	Active Value	\$ 675,542,996	2.7%
AQR Capital Management	Active Core	976,015,161	3.8
Non-U.S. Equity Interim Assets	Core	819,902	0.0
BPI Global Asset Management	Active Core	774,910,847	3.0
Citigroup Asset Management	Active Emerging Markets	183,098,600	0.7
INVESCO Global Asset Management	Active Value	768,167,897	3.0
Julius Baer Investment Management	Active Core	695,383,227	2.7
Oechsle International Advisors	Active Growth	562,821,788	2.2
Total		\$ 4,636,760,418	18.1%

\*Includes manager cash.

# Non-U.S. Equity Review

Periods ended June 30, 2005

## Non-U.S. Equity Investment Returns

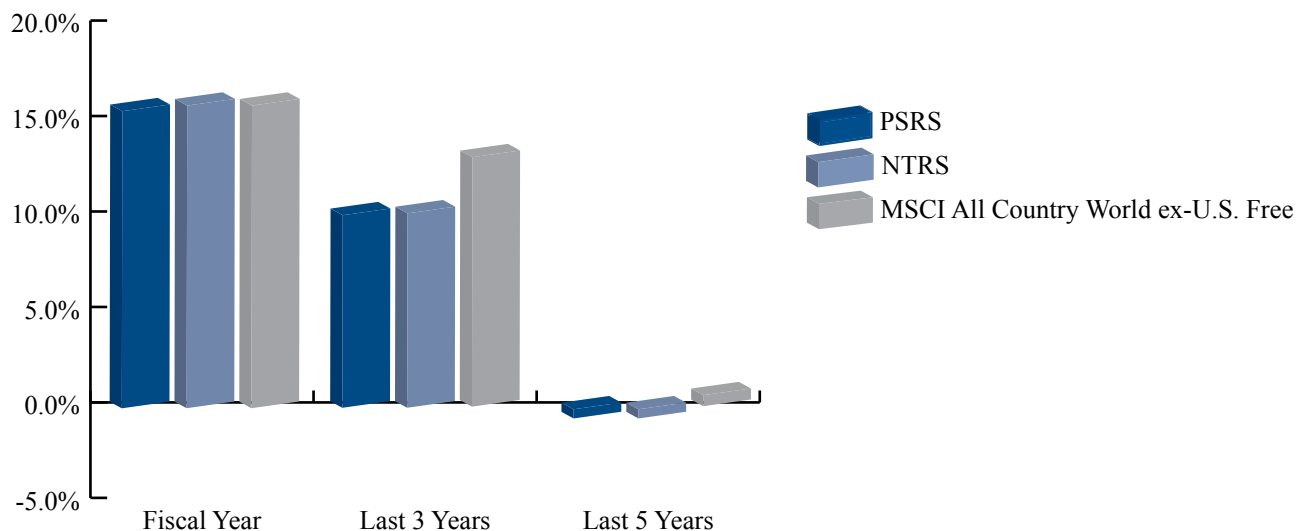
The PSRS and NTRS benchmark, the MSCI All Country World ex-U.S. Free Index, posted a solid return for fiscal year 2005. This positive market performance follows a strong return in fiscal year 2004, preceded by three consecutive years of negative returns. The total returns on the

PSRS and NTRS non-U.S. equity portfolios for the fiscal year ended June 30, 2005 were 16.2% and 16.5% respectively compared to the benchmark return of 16.5%. Both Systems have underperformed the benchmark for the three-year and five-year time periods.

## Non-U.S. Equity Investment Returns

June 30, 2005

	<u>Fiscal Year</u>	<u>Last 3 Years</u>	<u>Last 5 Years</u>
PSRS	16.2%	10.5%	(0.5)%
NTRS	16.5	10.6	(0.5)
MSCI All Country World ex-U.S. Free	16.5	13.6	0.6



# Real Return Pool Review

As of June 30, 2005

## Market Value

As of June 30, 2005, the combined PSRS/NTRS real return pool assets managed by three external investment advisors had a market value of approximately \$1.9 billion, representing 7.5% of total assets.

## Real Return Pool Structure

The focus of the real return pool is to earn stable, but meaningful, real returns across future economic and market cycles. This pool's initial target allocation of 5.0% was

increased to 7.5% in fiscal year 2004 with the addition of real estate interim assets (to be drawn down as the Systems' real estate allocation is funded). Approved sub-asset classes for inclusion in the real return pool are U.S. Treasury and Global Inflation-Indexed Securities, Real Estate Investment Trusts, Non-dollar Bonds and sectors of the Lehman Aggregate Bond Index.

The following table displays the 10 largest portfolio holdings in the real return pool as of June 30, 2005.

Top Ten Largest Holdings* June 30, 2005	Combined Market Value	% of Total Real Return Pool
USTN, INFLATION INDEXED, 4.25%, 1/15/10	\$ 167,038,710	8.7%
USTN, INFLATION INDEXED, 3.625%, 1/15/08	130,738,818	6.8
USTN, INFLATION INDEXED, 3.5%, 1/15/11	122,185,538	6.3
USTN, INFLATION INDEXED, 3.375%, 1/15/07	121,750,593	6.3
USTN, INFLATION INDEXED, 2.0%, 1/15/14	100,631,171	5.2
USTN, INFLATION INDEXED, 0.875%, 4/15/10	93,600,931	4.9
USTN, INFLATION INDEXED, 3.0%, 7/15/12	93,271,966	4.9
TENNESSEE VALLEY AUTHORITY, CPI INDEXED, 3.375%, 1/15/07	87,409,128	4.5
USTN, INFLATION INDEXED, 3.875%, 1/15/09	64,999,533	3.4
USTN, INFLATION INDEXED, 1.625%, 1/15/15	60,343,750	3.1
Total	\$ 1,041,970,138	54.1%

## Key to Holdings

USTN = U.S. Treasury Note

## Real Return Pool Investment Advisors

The following firms were under contract with PSRS/NTRS as of June 30, 2005 for management of real return pool securities.

Investment Advisor	Investment Style	Combined Portfolio Market Value** As of June 30, 2005	% of Total Market Value
Bridgewater Associates	Active Global TIPS	\$ 308,024,276	1.2%
NISA Investment Advisors	Active TIPS	995,913,948	3.9
State Street Global Advisors	Passive TIPS	635,067,132	2.4
Total		\$ 1,939,005,356	7.5%

\* Includes only actively managed separate accounts.

\*\* Includes manager cash.

# Real Return Pool Review

As of June 30, 2005

## Real Return Pool Investment Returns

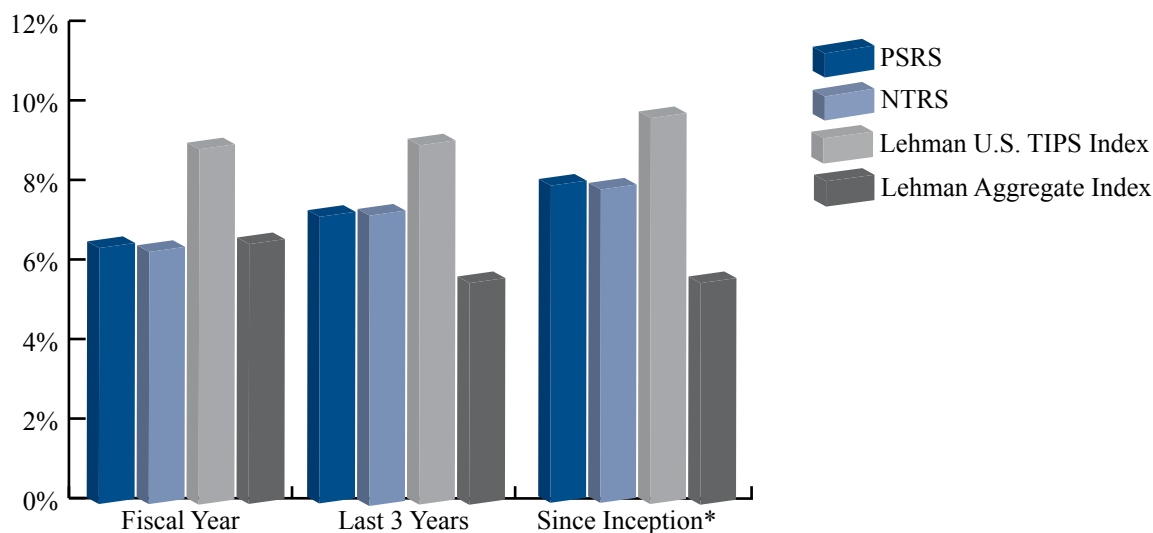
Treasury Inflation Protected Securities (TIPS) continued to meaningfully outperform the broad fixed income market (as measured by the Lehman Aggregate Index) in fiscal year 2005. Total returns on the PSRS and NTRS real return portfolios for the fiscal year ended June 30, 2005 were 6.7% and 6.6%, respectively. The Systems' real return pool assets underperformed the benchmark (Lehman U.S. TIPS

Index) for the fiscal year, three-year and since inception time periods due to a shorter duration position. The real return pool was originally funded with assets from the fixed income composite. Since inception, the real return pool has substantially outperformed the Lehman Aggregate Index with returns of 8.3% for PSRS and 8.2% for NTRS relative to a 5.8% return for the broad fixed income market.

## Real Return Pool Investment Returns

June 30, 2005

	<u>Fiscal Year</u>	<u>Last 3 Years</u>	<u>Since Inception*</u>
PSRS	6.7%	7.5%	8.3%
NTRS	6.6	7.6	8.2
Lehman U.S. TIPS Index	9.3	9.4	10.1
Lehman Aggregate Index	6.8	5.8	5.8



\* Performance inception date for the Real Return Pool was March 1, 2002.

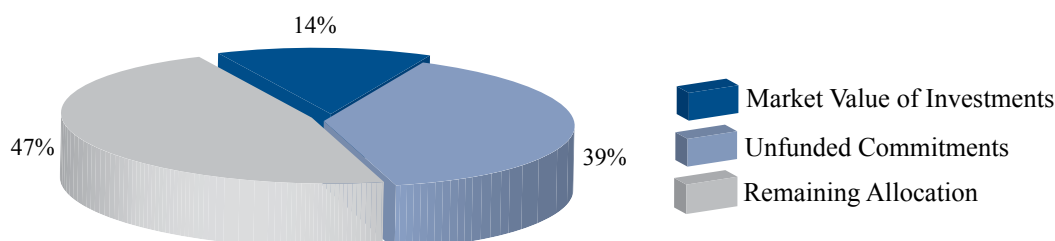
# Real Estate Review

As of June 30, 2005

## Market Value

As of June 30, 2005, the combined PSRS/NTRS real estate assets committed\* for investment were \$682.5 million. The market value of funds that had been drawn down and actually invested as of June 30, 2005 was approximately \$176.2 million. The funds and partnerships within the Systems' real estate allocation were selected in conjunction with PSRS/NTRS's real estate consultant, The Townsend Group.

The following pie chart shows the percentage of the Systems' real estate allocation that had been invested (at market value), the percentage that had been committed but not yet funded and the percentage that remained to be committed to reach PSRS/NTRS's 5% target allocation.



## Real Estate Investment Advisors

The following investment advisors were under contract with PSRS/NTRS as of June 30, 2005 for management of the Systems' real estate investments.

Investment Advisor	Investment Style	Combined Committed Capital* As of June 30, 2005	Combined Market Value** As of June 30, 2005	% of Total Market Value
AMB Alliance III	Non-Core - Enhanced	\$ 25,000,000	\$ 25,000,000	0.1%
AMB Japan Fund I	Non-Core - High Return	25,000,000	2,874,113	0.0
Heitman Value Partners	Non-Core - Enhanced	25,000,000	7,310,704	0.0
JPMorgan Strategic Property Fund	Core - Private	125,000,000	0	0.0
LaSalle Asia Opportunity Fund II	Non-Core - High Return	25,000,000	0	0.0
LaSalle Income & Growth IV	Non-Core - Enhanced	25,000,000	0	0.0
Lone Star V	Non-Core - High Return	22,500,000	1,722,119	0.0
MSREF V International	Non-Core - High Return	25,000,000	0	0.0
Morgan Stanley Prime Property Fund	Core - Private	100,000,000	0	0.0
Prudential PRISA Fund	Core - Private	110,000,000	50,000,000	0.2
RREEF America REIT II	Core - Private	125,000,000	43,777,562	0.2
RREEF America REIT III	Non-Core - Enhanced	50,000,000	0	0.0
Urdang Securities Management	Core - Public (REITs)	N/A	45,507,498	0.2
<b>Total</b>		<b>\$ 682,500,000</b>	<b>\$ 176,191,996</b>	<b>0.7%</b>

\* Committed capital reflects the total amount of capital that the Systems are legally obligated to supply to the partnerships and funds as the capital is needed to invest in underlying holdings. Market value reflects capital that has actually been drawn and invested by the partnerships and funds.

\*\* Includes manager cash and reflects valuations reported by the Systems' custodian, State Street Bank & Trust.



# Real Estate Review

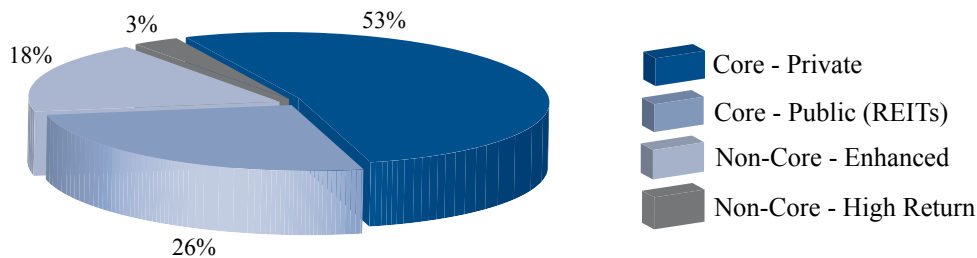
As of June 30, 2005

## Real Estate Structure

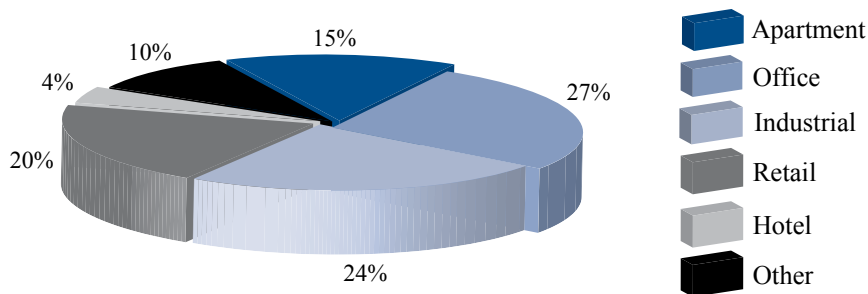
The PSRS/NTRS Board of Trustees approved a 5% allocation to the real estate asset class in January 2004. The objective of the real estate allocation is to achieve superior risk-adjusted returns, as well as to benefit from the diversification effect provided by real estate investments. In April 2004, the Board selected The Townsend Group to serve as the Systems' real

estate consultant and to assist with the structuring of the real estate composite. The 5% allocation equates to a total asset commitment for the Systems of \$1.2 billion with full implementation expected to take three years. The first real estate investment was funded in December 2004.

The following pie chart shows the allocation to real estate investment strategies utilizing the market value of the assets that have been invested within the Systems' real estate composite.



The following pie chart shows the diversification within the real estate composite by property type for the PSRS/NTRS portfolios.



# Private Equity Review

As of June 30, 2005

## Market Value

As of June 30, 2005, the combined PSRS/NTRS private equity assets committed\* for investment was \$291.3 million. The market value of funds that have been drawn down and actually invested as of June 30, 2005 was approximately \$29.6 million. The partnerships within the discretionary fund-of-funds were selected and managed by the Systems' private equity advisor, Pathway Capital Management.

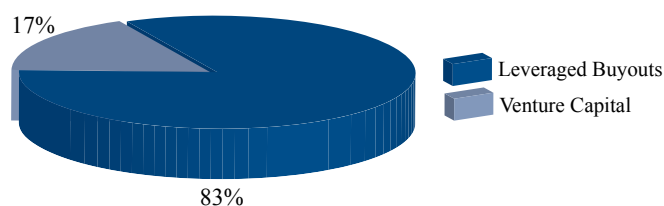
## Private Equity Structure

The Systems' 3% allocation to private equity was approved by the Board in January 2002. The objective of the private equity allocation is to achieve returns that are higher than those attainable in the public equity markets. The long-term and illiquid nature of the private equity asset class dictates that capital must be invested at a measured pace. Following approval by the Board in April 2004, an advisory relationship was added with Pathway Capital Management as a complement to the existing discretionary relationship.

The pie charts below show the diversification of the Systems' private equity holdings as of June 30, 2005 from both strategy and regional perspectives.

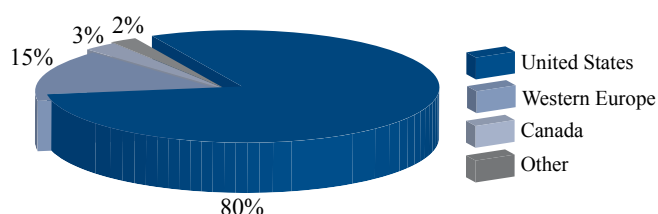
### Strategy Allocation

June 30, 2005



### Regional Allocation

June 30, 2005



## Private Equity Investment Advisor

The following investment advisors were under contract with PSRS/NTRS as of June 30, 2005 for management of private equity composite assets.

Investment Advisor	Investment Style	Combined Committed Capital* As of June 30, 2005	Combined Market Value As of June 30, 2005	% of Total Market Value
Carlyle Partners IV, L.P.	Acquisitions - Large	\$ 25,000,000	\$ 0	0.0%
Montagu III, L.P.	Acquisitions - Medium	19,305,600	0	0.0
Wind Point Partners VI, L.P.	Acquisitions - Medium	20,000,000	0	0.0
Pathway Capital Management	Discretionary Manager	227,042,361	29,607,351	0.1
Total		\$ 291,347,961	\$ 29,607,351	0.1%

\*Committed capital reflects the total amount of capital that the Systems are legally obligated to supply to the partnerships and funds as the capital is needed to invest in underlying holdings. Market value reflects capital that has actually been drawn and invested by the partnerships and funds.

# Broker Commissions Report (U.S. Equity)

For The Fiscal Year Ended June 30, 2005

## PSRS

Brokerage Firm	Shares Traded	Dollars Traded	Commissions Paid	Cost Per Share
STATE STREET BROKERAGE SERVICES	24,492,255	\$ 866,006,199.27	\$ 539,741.11	\$ 0.02
BROADCORT CAPITAL	10,153,400	197,752,801.85	453,400.07	0.04
MERRILL LYNCH, PIERCE, FENNER + SMITH	14,367,987	517,125,455.00	442,103.38	0.03
CITIGROUP GLOBAL MARKETS INC	18,841,352	630,567,533.68	395,358.50	0.02
LEHMAN BROTHERS INC	11,865,438	382,786,037.48	388,748.59	0.03
CREDIT SUISSE FIRST BOSTON CORP	10,398,747	285,462,469.31	383,146.26	0.04
INSTINET	22,134,339	721,007,347.40	377,611.08	0.02
GOLDMAN SACHS + CO	15,306,252	512,312,722.60	326,058.71	0.02
INVESTMENT TECHNOLOGY GROUP INC	17,527,220	598,735,973.55	308,861.36	0.02
UBS SECURITIES LLC	6,885,568	216,896,096.62	307,986.14	0.04
MORGAN STANLEY CO INC	14,903,364	455,045,672.08	240,522.34	0.02
LIQUIDNET INC	8,201,622	230,706,216.61	217,934.59	0.03
BEAR STEARNS + CO INC	4,510,088	121,744,081.88	196,135.65	0.04
BANC/AMERICA SECURITIES LLC	4,372,348	137,451,626.52	164,788.40	0.04
J P MORGAN SECURITIES INC	3,343,827	106,464,600.90	154,178.00	0.05
Other (<\$150,000)	88,716,938	2,593,722,229.22	3,239,067.22	0.04
Total	276,020,745	\$ 8,573,787,063.97	\$ 8,135,641.40	\$ 0.029

## NTRS

Brokerage Firm	Shares Traded	Dollars Traded	Commissions Paid	Cost Per Share
STATE STREET BROKERAGE SERVICES	2,285,225	\$ 76,686,645.36	\$ 50,196.11	\$ 0.02
BROADCORT CAPITAL	952,928	19,134,732.30	43,179.40	0.04
MERRILL LYNCH, PIERCE, FENNER + SMITH	1,279,516	45,973,253.45	38,819.63	0.03
LEHMAN BROTHERS INC	992,888	31,835,290.66	32,955.16	0.03
CITIGROUP GLOBAL MARKETS INC	1,497,723	50,177,762.68	32,618.21	0.02
INSTINET	1,902,267	62,165,097.27	32,483.81	0.02
CREDIT SUISSE FIRST BOSTON CORP	868,991	23,969,501.62	32,038.85	0.04
GOLDMAN SACHS + CO	1,251,902	41,818,493.07	26,884.03	0.02
INVESTMENT TECHNOLOGY GROUP INC	1,529,825	51,956,196.82	26,821.57	0.02
UBS SECURITIES LLC	598,663	18,715,145.16	26,593.49	0.04
MORGAN STANLEY CO INC	1,198,545	36,760,065.75	21,788.56	0.02
LIQUIDNET INC	677,287	18,401,211.97	18,190.31	0.03
BEAR STEARNS + CO INC	420,786	11,039,194.16	17,933.43	0.04
BANC/AMERICA SECURITIES LLC	374,372	11,644,498.46	14,418.04	0.04
J P MORGAN SECURITIES INC	283,190	9,095,898.31	13,007.91	0.05
Other (<\$13,000)	7,167,905	208,855,803.88	261,269.64	0.04
Total	23,282,013	\$ 718,228,790.92	\$ 689,198.15	\$ 0.030

# Broker Commissions Report (Non-U.S. Equity)

For The Fiscal Year Ended June 30, 2005

## PSRS

Brokerage Firm	Shares Traded	Dollars Traded	Commissions Paid	Cost (basis points)
CREDIT SUISSE FIRST BOSTON	405,489,209	\$ 351,715,077.43	\$ 611,212.22	17.4
MERRILL LYNCH, PIERCE, FENNER + SMITH	812,363,497	414,519,941.59	568,196.28	13.7
DEUTSCHE BANK SECURITIES INC	571,825,780	508,012,071.41	453,865.72	8.9
UBS SECURITIES LLC	695,476,775	353,513,981.53	421,063.82	11.9
GOLDMAN SACHS + CO	68,064,538	370,427,831.10	418,741.57	11.3
CITIGROUP GLOBAL MARKETS INC	1,141,146,437	177,539,150.73	307,944.50	17.3
MORGAN STANLEY CO INC	154,118,474	202,557,197.57	297,362.73	14.7
LEHMAN BROTHERS INC	18,346,706	249,632,620.24	289,567.51	11.6
DRESDNER KLEINWORT BENSON	18,071,646	170,834,934.43	252,516.29	14.8
SBC WARBURG SECURITIES	37,896,468	266,749,177.05	235,192.93	8.8
ABN AMRO SECURITIES LLC	317,380,515	167,305,584.28	227,921.79	13.6
J P MORGAN SECURITIES INC	61,721,500	90,817,283.25	172,959.19	19.0
INSTINET CLEARING SERVICES INC	19,293,534	215,224,660.83	154,382.18	7.2
BEAR STEARNS SECURITIES CORP	66,148,055	56,167,492.55	93,926.31	16.7
CREDIT LYONNAIS SECURITIES	35,646,917	38,151,084.86	89,179.41	23.4
Other (<\$9,000)	3,768,795,526	1,002,678,886.85	1,606,401.88	16.0
Total	8,191,785,577	\$ 4,635,846,975.70	\$ 6,200,434.33	13.4

## NTRS

Brokerage Firm	Shares Traded	Dollars Traded	Commissions Paid	Cost (basis points)
CREDIT SUISSE FIRST BOSTON	35,481,015	\$ 29,898,037.36	\$ 52,962.25	17.7
MERRILL LYNCH, PIERCE, FENNER + SMITH	75,802,899	36,770,494.29	49,475.94	13.5
DEUTSCHE BANK SECURITIES INC	35,353,924	42,452,225.97	38,115.84	9.0
GOLDMAN SACHS + CO	5,812,421	28,993,032.92	34,074.36	11.8
UBS SECURITIES LLC	55,376,355	23,139,905.94	32,698.99	14.1
DRESDNER KLEINWORT BENSON	1,757,984	18,789,664.03	28,856.31	15.4
CITIGROUP GLOBAL MARKETS INC	84,009,113	15,025,135.96	26,610.08	17.7
LEHMAN BROTHERS INC	1,979,541	21,574,005.00	26,445.28	12.3
MORGAN STANLEY CO INC	14,289,621	17,845,267.03	26,186.82	14.7
ABN AMRO SECURITIES LLC	38,512,228	14,498,100.41	19,392.38	13.4
SBC WARBURG SECURITIES	2,716,492	22,082,738.30	19,140.64	8.7
J P MORGAN SECURITIES INC	5,573,302	8,323,026.22	16,024.50	19.3
INSTINET CLEARING SERVICES INC	1,653,909	18,636,643.25	13,370.60	7.2
BEAR STEARNS SECURITIES CORP	4,962,916	5,148,465.64	8,928.41	17.3
MIZUHO SECURITIES USA INC	266,302	5,591,457.51	7,794.63	13.9
Other (<\$7,700)	351,693,669	83,703,386.87	133,637.90	16.0
Total	715,241,691	\$ 392,471,586.70	\$ 533,714.93	13.6

# Investment Summary

As of June 30, 2005

Total Market Value	PSRS/NTRS Combined Funds - FY2005	Percent of Total Market Value		
		FY2005	FY2004	FY2003
U.S. fixed income	\$ 7,845,800,630	30.6%	33.5%	40.0%
U.S. equity	10,197,170,449	39.7	39.7	38.0
Non-U.S. equity	4,506,776,008	17.6	17.6	13.3
Real return pool	1,924,347,363	7.5	7.5	5.2
Real estate	175,747,925	0.7	0.0	0.0
Private equity	29,607,351	0.1	0.0	0.0
Cash and short-term investments	971,428,487	3.8	1.7	3.5
Total	\$ 25,650,878,213	100.0%	100.0%	100.0%

## Reconciliation with Statement of Plan Net Assets

Accrued payable for investments purchased	\$ 4,838,569,064
Accrued income payable	2,059,047
Accrued receivable for investments sold	(4,200,281,557)
Accrued income receivable	(100,380,766)
Short-term investments designated for benefits	(52,179,633)

Statement of Plan Net Assets \$ 26,138,664,368

# Investment Income Expenses

For The Year Ended June 30, 2005

	PSRS	NTRS	Total
<b>Investment Managers</b>			
Alliance Capital Management	\$ 4,170,546	\$ 370,676	\$ 4,541,222
AQR	3,420,104	297,400	3,717,504
Aronson & Partners	1,565,191	136,382	1,701,573
BlackRock Financial Management	1,190,061	103,484	1,293,545
BPI Global Asset Management LLC	1,901,824	165,376	2,067,200
Bridgewater Associates	214,567	55,188	269,755
Chartwell Investment Partners	630,660	54,840	685,500
Citigroup	782,000	68,000	850,000
DSI International Management	721,084	62,703	783,787
Duncan Hurst	184,243	15,827	200,070
EMAP	3,381,275	278,511	3,659,786
INVESCO Global Asset Management	1,508,368	129,632	1,638,000
Jacobs Levy	176,489	15,369	191,858
Julius Baer	2,382,058	211,900	2,593,958
NISA Investment Advisors	1,329,541	107,672	1,437,213
Oechsle International Advisors	1,269,450	95,550	1,365,000
Pathway Capital Management	1,461,705	110,021	1,571,726
Payden & Rygel	634,317	55,158	689,475
PIMCO	809,141	69,352	878,493
Seix	1,150,373	97,774	1,248,147
State Street Global Advisors	1,210,536	108,118	1,318,654
Systematic	492,230	37,600	529,830
TCW Asset Management Company	2,079,800	172,040	2,251,840
Thomson, Horstmann, & Bryant, Inc.	874,320	72,940	947,260
UBS Global Asset Management	1,404,765	105,735	1,510,500
Urdang	48,408	4,210	52,618
Wellington Management Company	828,383	71,617	900,000
Westcap	683,065	56,925	739,990
Commission Recapture	(1,141,123)	(96,808)	(1,237,931)
<b>Investment Management Expense</b>	<b>35,363,381</b>	<b>3,033,192</b>	<b>38,396,573</b>
<b>Investment Consultants</b>			
Strategic Investment Solutions	4,878	424	5,302
Frank Russell	294,400	25,600	320,000
Russell - Mellon	99,063	18,313	117,376
Townsend Group	212,648	18,491	231,139
<b>Custodial Services</b>			
State Street Bank & Trust	3,106,253	270,109	3,376,362
<b>Staff Investment Expenses</b>	<b>442,436</b>	<b>295,182</b>	<b>737,618</b>
<b>Total Investment Expenses</b>	<b>\$ 39,523,059</b>	<b>\$ 3,661,311</b>	<b>\$ 43,184,370</b>

## Actuarial Section

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GABRIEL, ROEDER, SMITH & COMPANY  
CONSULTANTS & ACTUARIES

20 North Clark Street • Suite 2400 • Chicago, IL 60602 • 312-456-9800 • Fax 312-456-9801

October 13, 2005

Board of Trustees  
Public School Retirement System of Missouri  
Public Education Employee Retirement System of Missouri  
3210 West Truman Boulevard  
Jefferson City, MO 65109

Re: Certification of Actuarial Results

Dear Members of the Board:

At your request, we have performed actuarial valuations of the Public School Retirement System and the Public Education Employee Retirement System of Missouri, formerly known as the Non-Teacher School Employee Retirement System of Missouri, as of June 30, 2005. An actuarial valuation of each system is performed annually.

The actuarial valuation is based upon:

- a. *Data relative to the Members of the Systems* – Data for all members of each system was provided by the staff. Such data is tested for reasonableness by the actuary but is used unaudited.
- b. *Assets of the Fund* – The values of the trust fund assets for each system are provided by the staff. A market related value of assets, with gains and losses recognized ratably over five years, is used to develop actuarial results.
- c. *Actuarial Method* – The actuarial method utilized for each system is the Entry Age Normal Cost Method. The objective of this method is to finance the benefits of the systems as a level percentage of pay over the entire career of each member. Any Unfunded Actuarial Accrued Liability (UAAL) under this method is separately financed. All actuarial gains and losses under this method are reflected in the UAAL.
- d. *Actuarial Assumptions* – The actuarial assumptions used in the valuation of each system are summarized in the next few pages. The Board has adopted this set of assumptions effective for the actuarial valuations as of June 30, 2001 and later.

The actuarial assumptions and methods used are in accordance with paragraph 36 of GASB Statement Number 25.

The trend data in the Financial Section and the schedules and other data in this Section are prepared by the staff with our guidance.



The Board's statement of funding policy provides that:

1. The Board of Trustees shall adopt actuarial assumptions, each of which individually represents a reasonable long-term estimate of anticipated experience under the system, derived from experience studies conducted every fifth year.
2. The actuarial funding method used shall be the Entry Age Normal Method with normal costs calculated as a percentage of payroll.
3. It shall be the general objective to maintain an amortization period of 30 years or less in the funding of the Unfunded Actuarial Accrued Liability. Whenever a change is made in a system's benefit and contribution rate structures, the amortization period for the system after this change should not exceed 30 years initially.
4. If an escalation in future payroll is assumed in determining the amortization payments toward the Unfunded Actuarial Accrued Liability, then the annual rate of such escalation shall not exceed the expected rate of expansion in total system payroll based upon the actuarial assumptions.
5. Assets used in the actuarial valuation shall be valued using adjusted market values averaged over a period of five years.
6. Annual actuarial valuations shall be made of the system's assets and liabilities. The contribution rate shall be established based on the results of these valuations.

The results of the valuations are based on the data and actuarial techniques described above and on the provisions of each system at the valuation date. Based on these items, we certify these results to be true and correct.

Sincerely,



Norman S. Losk, F.S.A  
Senior Consultant



Alex Rivera, A.S.A  
Senior Consultant

# PSRS Calculation of Unfunded Actuarial Accrued Liability

As of June 30, 2005

	<u>Amount</u>
(1) Present value of future benefits for:	
Active members	\$ 20,447,876,889
Service retirees	13,315,344,239
Disability retirees	128,655,880
Tax-sheltered annuitants	1,103,965
Survivors	478,886,309
Death benefits	52,911,010
Inactive members	349,912,640
Total	<u>34,774,690,932</u>
 (2) Present value of future normal costs	 <u>6,893,177,967</u>
 (3) Actuarial accrued liability ((1)-(2))	 27,881,512,965
 (4) Actuarial value of assets	 <u>23,049,440,502</u>
 (5) Unfunded actuarial accrued liability ((3)-(4))	 <u><u>\$ 4,832,072,463</u></u>

# PSRS Required Contribution Rate and Amortization of Unfunded Liability

As of June 30, 2005

	<u>Percentage of Payroll</u>
(1) Total FY 2006 contribution rate, member and employer	23.00%
(2) Normal cost rate	21.05
(3) Approximate rate available for unfunded actuarial accrued liability ((1) - (2))	1.95
(4) Number of years required to amortize unfunded actuarial accrued liability	Never*
(5) Benchmark FY 2006 contribution rate - normal cost plus a rate to fund the UAAL over 30 years	27.78%

\* While the current contribution rate will not fund the UAAL in 30 years, the funding process is designed to fund that item over time.

# PSRS Analysis of Actuarial Gains and Losses

As of June 30, 2005

(Dollar Amounts in Thousands)

(1) Unfunded actuarial liability as of July 1, 2004		\$ 4,723,687
(2) Normal cost for 2005 plan year		700,047
(3) Contribution received during year		(821,916)
(4) Interest to year end @ 8.00% on (1), ( 2) & (3)		<u>373,115</u>
(5) Expected unfunded actuarial liability as of June 30, 2005		4,974,933
(6) Actuarial (gain)/loss during the year		
a. From investment	\$ (212,904)	
b. From actuarial liabilities	<u>70,043</u>	
c. Total		<u>(142,861)</u>
(7) Unfunded actuarial accrued liability as of June 30, 2005		<u><u>\$ 4,832,072</u></u>

# NTRS Calculation of Unfunded Actuarial Accrued Liability

As of June 30, 2005

	<u>Amount</u>
(1) Present value of future benefits for:	
Active members	\$ 2,342,072,555
Service retirees	851,723,964
Disability retirees	17,027,370
Survivors	35,541,086
Inactive members	70,456,536
Total	<u>3,316,821,511</u>
(2) Present value of future normal costs	<u>902,327,841</u>
(3) Actuarial accrued liability ((1)-(2))	2,414,493,670
(4) Actuarial value of assets	<u>2,011,565,783</u>
(5) Unfunded actuarial accrued liability ((3)-(4))	<u><u>\$ 402,927,887</u></u>

# NTRS Required Contribution Rate and Amortization of Unfunded Liability

As of June 30, 2005

	<u>Percentage of Payroll</u>
(1) Total FY 2006 contribution rate, member and employer	11.00%
(2) Normal cost rate	10.72
(3) Approximate rate available for unfunded actuarial accrued liability ((1) - (2))	0.28
(4) Number of years required to amortize unfunded actuarial accrued liability	Never*
(5) Benchmark FY 2006 contribution rate - normal cost plus a rate to fund the UAAL over 30 years	12.60%

\* While the current contribution rate will not fund the UAAL in 30 years, the funding process is designed to fund that item over time.

# NTRS Analysis of Actuarial Gains and Losses

As of June 30, 2005

(1) Unfunded actuarial liability as of July 1, 2004		\$ 383,901,924
(2) Normal cost for 2005 plan year		99,318,447
(3) Contribution received during year		(108,809,055)
(4) Interest to year end at 8.00% on (1), (2), and 3.		30,339,833
(5) Expected unfunded actuarial liability as of June 30, 2005		404,751,149
(6) Actuarial (gain)/loss during the year		
a. From investments	\$ (17,455,481)	
b. From liabilities	15,632,219	
c. Total		<u>(1,823,262)</u>
(7) Unfunded actuarial accrued liability as of June 30, 2005		<u>\$ 402,927,887</u>

# PSRS Summary of Actuarial Assumptions and Methods

## Mortality -

Sample rates per 1,000 members by ages: (effective 6/30/01)

Active and service retired members, beneficiaries and survivors

Age	Male	Female
20	0.430	0.280
40	0.891	0.652
60	5.581	3.863
80	45.171	35.362
100	268.815	256.712

## Investment Return -

8% per annum compound, net of expenses (1980)

## Termination -

Illustrate per 1,000 members (male and female): (1994)

Age	First Year	Second Year	Third Year	After Three Years
20	140	110	100	35
30	120	100	80	31
40	100	90	60	21
50	90	70	40	8

## Salary increases -

Sample annual rates varying by service: (effective 6/30/01)

Service	Increase	Service	Increase
0	10.0%	9	6.0%
3	7.5	10 & over	5.0
6	7.0		

## Retirement rates -

Sample rates per 1,000 eligible members: (effective 6/30/01)

(1) Age 60		(2) Below 60 or meet rule of 80		(3) Below 60, less than 30 years	
Age	5 Years	Service	With 30 Years	Before (1) or (2), After 55/25	
60	250	30	500	First Year Eligible	400
62	250	31 & over	250	Thereafter	200
65	400				
67	300				
70+	1000				

<b>Asset Valuation -</b>	Based on five year average of adjusted market value returns (1994).
<b>Payroll Increase -</b>	Total covered payroll is assumed to increase 5.0% per year. Additional adjustments are made for those with less than five years of service (effective 6/30/01). Membership is not assumed to increase.
<b>Inflation -</b>	3.5% per annum compound (effective 6/30/97).
<b>Actuarial Method -</b>	Entry Age Normal Funding Method is used. Gains and losses are reflected immediately in the unfunded actuarial accrued liability of the System, and amortized in the future as a level percentage of payroll (1947).
<b>Other -</b>	In addition to the above, other assumptions are made with respect to the incidence of disability, the rates of retirement under a special temporary program, mortality of disabled lives, the probability that a member has a spouse, minor children and the ages of the children (effective 6/30/97).
<b>COLA -</b>	3.5% per year (effective 6/30/97).

*Note: Dates reflect the effective date as adopted by the Board of Trustees.*

# NTRS Summary of Actuarial Assumptions and Methods

## Mortality -

Sample rates per 1,000 members by age: (effective 6/30/01)

Active and service retired members, beneficiaries and survivors

Age	Male	Female
20	0.530	0.284
40	1.156	0.709
60	8.986	4.439
80	68.615	39.396
100	333.461	276.427

## Investment Return -

8% per annum compound, net of expenses (1980)

## Termination -

Illustrate per 1,000 members (male and female): (1994)

Age	First Year	Second Year	Third Year	After Three Years	
				Males	Females
20	350	170	100	66	50
30	225	170	100	66	50
40	130	125	90	61	45
50	90	85	55	39	29

## Salary Increases -

Sample annual rates varying by years of service: (effective 6/30/01)

Service	Increase	Service	Increase
0	10.00%	3	6.00%
1	7.50	4	5.75
2	6.75	5 & over	5.00

## Retirement Rates -

Sample rates per 1,000 members: (effective 6/30/01)

(1)		(2)		(3)	
Age 60		Below 60		Below 55, with at least 25 years	
Age	5 Years	Service	With 30 Years	Service	With 25+ Years
60	100	30 & over	100	25	45
62	300			27	100
65	350			29	100
66-74	250				
75+	1000				



<b>Asset Valuation -</b>	Based on five year average of adjusted market values (1994).
<b>Payroll Increase -</b>	Total covered payroll is assumed to increase 5.0% per year. Additional adjustments are made for those with less than five years of service (effective 6/30/01).
<b>Inflation -</b>	3.5% per annum compound (effective 6/30/97).
<b>Actuarial Method -</b>	Entry Age Normal Funding Method is used. Gains and losses are reflected immediately in the unfunded actuarial accrued liability of the System, and amortized in the future as a level percentage of payroll (1966).
<b>Other -</b>	In addition to the above, other assumptions are made with respect to the incidence of disability, the rates of retirement under a special temporary program, mortality of disabled lives, the probability that a member has a spouse and average work year (effective 6/30/97).
<b>COLA -</b>	3.5% per year. (effective 6/30/97).

*Note: Dates reflect the effective date as adopted by the Board of Trustees.*

## PSRS Schedule of Active Member Valuation Data

Actuarial Valuation Date	Number of Members	Covered Annual Payroll (000)	Average Annual Salary	% Increase in Average Salary	Average Attained Age	Average Years of Service
6/30/1996	64,624	\$ 2,283,994	\$ 35,343	3.9%	42.6	12.3
6/30/1997	66,456	2,427,429	36,527	3.3	42.5	12.1
6/30/1998	68,709	2,577,594	37,514	2.7	42.5	11.9
6/30/1999	70,092	2,690,353	38,383	2.3	42.5	11.7
6/30/2000	71,706	2,836,062	39,581	3.1	42.5	11.6
6/30/2001	72,688	2,982,051	41,025	3.7	42.4	11.3
6/30/2002	73,673	3,213,461	43,618	6.3	42.4	11.2
6/30/2003	74,347	3,373,058	45,369	4.0	42.4	11.3
6/30/2004	73,797	3,408,230	46,184	1.8	42.5	11.4
6/30/2005	73,850	3,540,649	47,944	3.8	42.5	11.4

## NTRS Schedule of Active Member Valuation Data

Actuarial Valuation Date	Number of Members	Covered Annual Payroll (000)	Average Annual Salary	% Increase in Average Salary	Average Attained Age	Average Years of Service
6/30/1996	34,153	\$ 538,022	\$ 15,753	3.6%	45.2	7.2
6/30/1997	35,982	556,534	15,467	-1.8	45.1	7.1
6/30/1998	38,672	616,303	15,937	3.0	44.8	6.7
6/30/1999	41,599	685,272	16,473	3.4	44.6	6.5
6/30/2000	43,533	735,400	16,893	2.5	44.5	6.4
6/30/2001	45,517	814,158	17,887	5.9	44.6	6.3
6/30/2002	46,728	895,420	19,162	7.1	44.8	6.4
6/30/2003	46,863	971,177	20,724	8.2	45.3	6.6
6/30/2004	45,880	984,866	21,466	3.6	46.2	7.0
6/30/2005	46,598	1,055,204	22,645	5.5	46.6	7.1

## PSRS Solvency Test

(Dollar amounts in thousands)

### Actuarial Accrued Liability for:

Actuarial Valuation Date	Member Contributions	Current Retirees & Beneficiaries	Active & Inactive Members Employer Financed Portion	Net Assets Available for Benefits	Percentage of Actuarial Liabilities Covered by Net Assets for:		
	(1)	(2)	(3)		(1)	(2)	(3)
6/30/1996	\$ 3,098,448	\$ 4,265,851	\$ 4,867,447	\$ 11,510,625	100.00%	100.00%	85.2%
6/30/1997	3,312,090	4,553,628	4,583,460	13,099,219	100.00	100.00	100.0
6/30/1998	3,541,459	5,523,768	5,405,822	14,979,358	100.00	100.00	109.4
6/30/1999	3,765,854	6,602,915	6,004,376	17,209,870	100.00	100.00	113.9
6/30/2000	3,976,059	7,801,845	6,501,209	19,437,223	100.00	100.00	117.8
6/30/2001	4,129,191	9,504,921	7,648,091	21,149,294	100.00	100.00	98.3
6/30/2002	4,354,507	10,589,546	8,389,885	22,236,105	100.00	100.00	86.9
6/30/2003	4,687,227	11,387,543	8,644,680	20,047,982	100.00	100.00	46.0
6/30/2004	4,954,080	12,625,925	8,645,254	21,501,572	100.00	100.00	45.4
6/30/2005	5,119,055	13,976,901	8,785,557	23,049,441	100.00	100.00	45.0

## NTRS Solvency Test

(Dollar amounts in thousands)

### Actuarial Accrued Liability for:

Actuarial Valuation Date	Member Contributions	Current Retirees & Beneficiaries	Active & Inactive Members Employer Financed Portion	Net Assets Available for Benefits	Percentage of Actuarial Liabilities Covered by Net Assets for:		
	(1)	(2)	(3)		(1)	(2)	(3)
6/30/1996	\$ 185,763	\$ 293,937	\$ 399,861	\$ 876,886	100.00%	100.00%	99.3%
6/30/1997	204,757	312,390	447,065	1,001,035	100.00	100.00	100.0
6/30/1998	226,454	350,860	460,033	1,150,311	100.00	100.00	124.6
6/30/1999	231,252	396,846	540,413	1,335,308	100.00	100.00	130.9
6/30/2000	274,167	467,653	653,480	1,522,660	100.00	100.00	119.5
6/30/2001	301,936	565,126	769,014	1,686,242	100.00	100.00	106.5
6/30/2002	354,296	651,295	850,391	1,810,619	100.00	100.00	94.7
6/30/2003	394,925	731,059	923,732	1,677,770	100.00	100.00	59.7
6/30/2004	444,318	804,864	972,028	1,837,308	100.00	100.00	60.5
6/30/2005	466,259	904,292	1,043,943	2,011,566	100.00	100.00	61.4

# PSRS Schedule of Retirees and Beneficiaries Added to and Removed from Retirement Rolls

	Added to Rolls		Removed from Rolls		Rolls End of Year		Average Annual Allowances	% Increase	
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances		in	in Average
								Annual Allowance	Annual Allowance
2004-2005									
Service retirees	2,630	\$ 91,773,708	681	\$ 16,100,976	33,001	\$ 1,067,742,636	\$ 32,355	10.86%	4.31%
Disability retirees	58	1,151,928	24	402,816	664	13,823,160	20,818	7.94	2.42
Beneficiaries	226	6,153,792	118	1,426,464	2,656	47,237,688	17,785	1.40	-2.73
2003-2004									
Service retirees	2,451	87,108,528	822	17,964,480	31,052	963,188,448	31,019	9.93	4.16
Disability retirees	54	1,155,516	28	442,812	630	12,806,208	20,327	8.04	3.58
Beneficiaries	473	6,153,792	147	1,560,084	2,548	46,586,652	18,284	10.60	-3.55
2002-2003									
Service retirees	2,057	69,930,204	762	16,923,921	29,423	876,214,561	29,780	7.55	2.82
Disability retirees	37	724,718	30	543,617	604	11,852,724	19,624	2.27	1.09
Beneficiaries	194	4,069,979	112	1,564,606	2,222	42,122,623	18,957	6.64	2.70
2001-2002									
Service retirees	2,252	76,277,040	763	16,160,604	28,128	814,713,192	28,964	14.53	8.47
Disability retirees	41	890,640	40	688,908	597	11,589,792	19,413	7.27	7.09
Beneficiaries	246	4,309,632	105	1,452,696	2,140	39,500,232	18,458	15.70	8.08
2000-2001									
Service retirees	2,629	84,732,912	749	14,326,116	26,639	711,328,968	26,703	18.15	9.81
Disability retirees	44	896,940	28	432,888	596	10,803,876	18,127	11.23	8.24
Beneficiaries	184	3,478,620	84	978,240	1,999	34,139,676	17,078	19.26	13.29
1999-2000									
Service retirees	2,152		779		24,759	602,073,480	24,317	19.56	12.93
Disability retirees	45		34		580	9,712,992	16,747	11.18	9.07
Beneficiaries	196		90		1,899	28,625,688	15,074	26.30	19.25

Note: Detailed data on retirees added to and removed from the rolls is not available for years prior to 2001.

# NTRS Schedule of Retirees and Beneficiaries Added to and Removed from Retirement Rolls

	Added to Rolls		Removed from Rolls		Rolls End of Year		% Increase		
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances	Average Annual Allowances	in Annual Allowance	in Average Annual Allowance
<b>2004-2005</b>									
Service retirees	1,092	\$ 7,628,508	481	\$ 1,697,460	14,770	\$ 78,531,972	\$ 5,317	10.76%	6.17%
Disability retirees	43	203,208	26	101,004	448	1,708,548	3,814	9.49	5.36
Beneficiaries	98	443,100	29	77,064	924	3,573,960	3,868	16.21	7.53
<b>2003-2004</b>									
Service retirees	1,075	8,476,308	535	1,597,860	14,159	70,902,420	5,008	11.03	6.80
Disability retirees	43	174,660	17	91,188	431	1,560,408	3,620	7.72	1.20
Beneficiaries	86	417,644	44	107,736	855	3,075,528	3,597	11.63	6.14
<b>2002-2003</b>									
Service retirees	966	7,800,240	488	1,584,787	13,619	63,860,114	4,689	10.59	6.71
Disability retirees	31	135,547	13	39,611	405	1,448,560	3,577	7.60	2.82
Beneficiaries	96	417,644	25	85,565	813	2,755,081	3,389	14.19	4.21
<b>2001-2002</b>									
Service retirees	970	7,570,872	461	1,280,604	13,141	57,743,412	4,394	22.43	17.68
Disability retirees	30	146,556	21	58,956	387	1,346,280	3,479	17.02	14.29
Beneficiaries	97	352,764	18	33,996	742	2,412,648	3,252	26.76	13.27
<b>2000-2001</b>									
Service retirees	978	6,089,376	459	1,165,548	12,632	47,164,044	3,734	18.68	13.81
Disability retirees	53	200,208	22	75,372	378	1,150,476	3,044	18.75	9.03
Beneficiaries	76	201,732	14	19,536	663	1,903,260	2,871	19.02	7.89
<b>1999-2000</b>									
Service retirees	960		447		12,113	39,740,484	3,281	20.58	15.49
Disability retirees	45		14		347	968,844	2,792	26.00	14.76
Beneficiaries	77		21		601	1,599,060	2,661	24.11	12.56

Note: Detailed data on retirees added to and removed from the rolls is not available for years prior to 2001.

# PSRS Summary Plan Description

The Public School Retirement System of Missouri (PSRS) became operative July 1, 1946. It was established by an Act of the Missouri Legislature and is governed by Chapter 169 of the *Revised Statutes of Missouri*. Its purpose is to provide benefits to members and their dependents at retirement or in the event of death or disability prior to retirement.

PSRS is a defined benefit plan funded on an actuarial reserve basis, which guarantees availability of funds to pay benefits as prescribed by law. The System is established as an independent trust fund and is not subject to direction by any state agency. Administrative expenses are paid entirely out of investment earnings.

## Administration

The administration of PSRS is vested in a seven-member Board of Trustees, composed of three elected PSRS members, one elected Non-Teacher School Employee Retirement System (NTRS) member, and three appointed trustees. The four elected trustees are selected by vote of the members and retirees of both Systems. Two are elected each even-numbered calendar year to serve four-year terms. The three appointed trustees, one of whom must be a PSRS or an NTRS retiree, are named by the governor to serve four-year terms. The appointed trustees must be residents of school districts included in the Retirement System but not employees of such districts nor state employees nor a state elected official. The Board appoints an executive director who is responsible for employment of the retirement office staff, routine operation of the System, and advisement of the Board on all matters pertaining to the System.

## Member Participation

PSRS membership is automatic, regardless of position, for certificated, full-time employees of public school districts in Missouri (except the St. Louis city and the Kansas City school districts), public junior college districts in Missouri, and of PSRS. Certificated, part-time employees whose services would qualify them for membership in the Non-Teacher School Employee Retirement System are contributing members of PSRS unless NTRS membership is elected.

Members working in covered employment are considered *active* members. Such members contribute 11.0% (11.5% effective 7/1/2005) of total compensation to PSRS. The contributions are deducted and remitted by the employer and are credited by PSRS to individual member accounts. Since July 1, 1989, member contributions have been tax-

deferred for federal and state income tax purposes under IRS 414(h)(2). Contributions are not considered income for such purposes until they are paid as a lump-sum refund or monthly benefits.

Members not working in covered employment are considered *inactive* members.

Interest at a rate set each year by the Board of Trustees is credited to individual member accounts each June 30 on the previous June 30 balance. The rate credited on June 30, 2005 was 6%. Since PSRS is a defined benefit plan, benefits are based upon the member's final average salary and years of creditable service. The amount of interest credited to a member's account has no bearing on the monthly benefit amount payable at retirement.

In addition to credit earned for covered service, members may purchase credit in various categories including several types of leave, out-of-state school service, other public and private employment, active U.S. military duty, and service under the federal Uniformed Services Employment and Re-employment Rights Act of 1994 (USERRA).

## Employer Participation

The employers served by PSRS withhold members' contributions from salary payments and match those contributions at a current rate of 11.0% (11.5% effective July 1, 2005) of payroll. Employer contributions and investment earnings on those funds are placed by PSRS in a general reserve account to pay monthly benefits to retirees and to beneficiaries of deceased members. Employers are responsible for remitting contributions promptly and for furnishing contribution information and new membership records to PSRS. Employers also provide record data when members apply for benefits or for refunds upon termination of employment.

## Survivor Benefits

The designated beneficiary of a member who dies before retirement is eligible for a lump-sum refund of the member's contributions and interest. If the beneficiary is an eligible dependent and the member dies while in covered employment with at least two years of credit for such service, or while eligible for disability retirement benefits, monthly survivor benefits based on a percentage of the member's salary for the last full year of covered service can be elected instead of the contribution refund.

In lieu of a lump-sum refund or monthly survivor benefits, survivors with an insurable interest and beneficiaries of

disability retirees may elect to receive monthly benefits under the Option 2 retirement plan. Such benefits are payable when the member would have been eligible for early or normal service retirement.

### Refund of Contributions

Member contributions and interest are fully refundable upon termination of service or death. All credit and benefit rights are forfeited upon voluntary withdrawal or automatic termination of membership.

A member may, upon returning to covered employment, reinstate the credit forfeited through termination of a previous membership by repaying the money refunded plus interest.

### Membership Termination

Membership is terminated by death, retirement, withdrawal of contributions, or absence from covered employment by a non-vested member for five consecutive school years.

### Disability Retirement Benefits

Disability retirement benefits are payable to eligible members who, because of permanent disability, are unable to earn a livelihood in any occupation. In most instances, the disability retirement benefit is calculated at 50% of the member's salary for the last full year of creditable service.

### Service Retirement Benefits

Service retirement benefits are payable to members who have terminated covered employment and have met certain eligibility requirements.

**Benefit Formula** – All service retirement benefits are based on a formula which multiplies final average salary by the applicable formula factor, by the years of credit and, in the case of early retirement, by an age-reduction factor. Final average salary is obtained by dividing the total salaries for the three highest consecutive years of service by 36; the applicable factor is determined by the type of retirement eligibility; total credit is the amount accumulated at retirement for covered service and purchased credit; and the age factor, where applicable, is determined by the age at retirement.

**Normal Retirement** – A member may retire with benefits calculated under the standard (2.5%) formula factor at age 60 with five years of credit, at any age with 30 years of credit, or when a combination of age and service credit equals 80. Between 7/1/2001-7/1/2008, a member may retire with a 2.55% formula factor with 31 or more years of service.

**Early Retirement** – A member may retire with benefits calculated under the standard (2.5%) formula with an age-reduction factor applied, at age 55 with five years of credit

or at any age with 25 years of credit, as long as they do not qualify for Rule of 80.

A special provision in effect until July 1, 2008 allows members under age 55 with 25.0 to 29.9 years of credit to retire with benefits calculated under a modified formula factor ranging from 2.2% to 2.4% but with no age-reduction factor applied.

**Payment Options** – A retiring member may elect to receive the maximum benefits payable under the Single Life option, or may elect to receive a reduced benefit under one of three Joint-and-Survivor options or under one of two Term-Certain options, to provide survivor benefit coverage in varying degrees after the retiree's death.

Certain benefit minimums apply to normal or early retirement with 15 or more years of credit. The minimums for 15 but fewer than 25 years of credit are reduced if a Joint-and-Survivor or a Term-Certain option is elected and/or if an age factor is applicable because of early retirement. The minimums for 25 or more years of credit are reduced only if a Joint-and-Survivor or a Term-Certain option is elected.

The Partial Lump Sum Option (PLSO) is available to qualified members. This option allows qualified members to elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time, lump-sum payment at retirement.

### Post-Retirement Increases

Cost-of-living adjustments (COLAs) are provided beginning the second January after retirement to service and disability retirees, and to Joint-and-Survivor beneficiaries of deceased retirees. The annual COLA, not to exceed 5%, is based on the increase in the cost of living as measured by the Department of Labor Consumer Price Index for the previous fiscal year and is applied to the current benefit of each eligible recipient. Lifetime COLAs are limited to 80% of the original retirement benefit.

### Member Handbook

A Member Handbook containing detailed information concerning the retirement program can be obtained from the retirement office upon request.



# NTRS Summary Plan Description

The Non-Teacher School Employee Retirement System of Missouri (NTRS) was established by an Act of the Missouri Legislature effective November 1, 1965, and is governed by Chapter 169 of the Revised Statutes of Missouri. Its purpose is to provide benefits to members and their dependents at retirement or in the event of death or disability prior to retirement.

NTRS is a defined benefit plan funded on an actuarial reserve basis, which guarantees availability of funds to pay benefits as prescribed by law. The System is established as an independent trust fund and is not subject to direction by any state agency. Administrative expenses are paid entirely out of investment earnings.

## Administration

The statutes provide that the responsibility for the operation and administration of the retirement system is vested in The Public School Retirement System (PSRS) Board of Trustees sitting as the Board of Trustees for NTRS. The Board is comprised of three elected PSRS members, one elected Non-Teacher School Employee Retirement System (NTRS) member and three appointed trustees. The four elected trustees are selected by vote of the members and retirees of both Systems. Two are elected each even-numbered calendar year to serve four-year terms. The three appointed trustees, one of whom must be a PSRS or an NTRS retiree, are named by the governor to serve four-year terms. The appointed trustees must be residents of school districts included in the Retirement System but not employees of such districts nor state employees nor a state elected official.

The Board appoints an executive director who is responsible for employment of the retirement office staff and routine operation of the system, and who acts as advisor to the Board on all matters pertaining to the System.

## Member Participation

**Active Members** – are currently working in covered employment. Employees contribute 5.25% (5.5% effective July 1, 2005) of their total compensation to NTRS. These amounts are deducted by the employing district and then forwarded to NTRS by the payroll officer and applied to the member's account in the NTRS. NTRS membership is automatic, regardless of position, for all persons not covered by the Public School Retirement System who are regularly employed for 20 or more hours a week on a regular basis in a position that normally requires at least 600 hours during the school term by the public school districts in Missouri (except the St. Louis city and the

Kansas City school districts), public junior college districts in Missouri, and by the Retirement System.

NTRS membership can be elected by employees with Missouri teaching certificates who work in any position for 20 or more hours weekly but less than full time; however, PSRS membership is automatic if an NTRS election is not made. The election to join NTRS must be filed with the Board of Trustees within 90 days after entering first time, part-time employment.

Since July 1, 1989, member contributions have been tax-deferred for federal and state income tax purposes under IRC 414(h)(2). Contributions are not considered as income for federal or state income tax purposes until they are paid in a lump-sum refund or in monthly benefits.

Individual accounts are maintained for all NTRS members. Interest is credited each June 30 on the previous June 30 balance. The interest rate set annually by the Board of Trustees was 6% on June 30, 2005. Since NTRS is a defined benefit plan, benefits are based upon the member's final average salary and years of creditable service. The amount of interest credited to a member's account has no bearing on the monthly benefit amount payable at retirement.

In addition to credit earned for covered service, members may purchase credit in various categories including several types of leave, out-of-state school service, other public and private employment, active U.S. military duty, and service under the federal Uniformed Services Employment and Re-employment Rights Act of 1994 (USERRA).

**Inactive Members** – have contributions on deposit with NTRS but are not currently working in covered employment.

**Member's Survivors** – When a member dies before retirement, the designated beneficiary becomes eligible for a lump-sum refund of the employee's contributions and interest. In lieu of the lump-sum refund, beneficiaries with an insurable interest and beneficiaries of disability retirees may elect to receive monthly benefits under the Option 2 retirement plan. Benefits are payable to the beneficiary under the Option 2 plan when the member would have been eligible for early or normal retirement.

## Membership Termination

Membership in the System is terminated by death, retirement, withdrawal of contributions, or absence from covered employment by a non-vested member for five consecutive school years.

## Employer Participation

The employers served by NTRS withhold members'



contributions from salary payments and match employee contributions at a current rate of 5.25% (5.5% effective July 1, 2005) of payroll. Employer contributions and investment earnings on those funds are placed in a general reserve account to pay monthly benefits to retirees and to beneficiaries of deceased members. It is the responsibility of the employers to remit contributions to the Retirement System promptly and to supply NTRS with new membership records and members' contribution information. Employers also provide needed data when members apply for benefits or refund of contributions upon termination of employment.

### Refund of Contributions

Member contributions plus interest are fully refundable upon termination of service or death. All credit and benefit rights are forfeited upon voluntary withdrawal or automatic membership termination. Voluntary withdrawal is available to members who cease covered employment. Automatic termination occurs when a non-vested member is absent from covered employment for five consecutive years. Only the money the member has contributed and accrued interest are refundable.

A member may, upon returning to covered employment, reinstate the credit forfeited through termination of a previous membership by repaying the money withdrawn plus interest.

### Service Retirement Benefits

Service retirement benefits are payable to persons who have terminated employment and who have met age and service requirements.

**Benefit Formula** – All service retirement benefits are based on a formula which multiplies final average salary by the applicable formula factor, by the years of credit and, in the case of early retirement, by an age-reduction factor. Final average salary is obtained by dividing the total salaries for the three highest consecutive years of service by 36; the applicable factor is determined by the type of retirement eligibility; total credit is the amount accumulated at retirement for covered service and purchased credit; and the age factor, where applicable, is determined by the age at retirement.

Because of the conversion of the System from a formula integrated with Social Security to the present basis, a special "frozen benefit" is in effect for certain members for service prior to July 1, 1973.

**Normal Retirement** – A member may retire with benefits calculated under the standard (1.61%) formula at age 60 with five years of credit, at any age with at least 30 years of service, and at the point where the member's age plus creditable service equals or exceeds 80 (Rule of 80). A member may retire under the standard (1.61%) formula when the member qualifies for Rule of 80 or 30 and out

and will receive an additional .8% multiplier until he/she reaches minimum eligibility age for Social Security benefits (currently age 62).

**Early Retirement** – A member may retire with benefits calculated under the standard (1.61%) formula with an age-reduction factor applied, at age 55 with five but fewer than 25 years of credit.

A special provision in effect until July 1, 2008 allows members under age 55 with 25.0 to 29.9 years of credit to retire with benefits calculated under a modified formula factor ranging from 1.51% to 1.59% but with no age-reduction factor applied.

**Options** – A retiring member may elect to receive the maximum benefits payable under the Single Life option, or may elect to receive a reduced benefit under one of three Joint-and-Survivor options or under one of two Term-Certain options, to provide survivor benefit coverage in varying degrees after the retiree's death. Another option, the Accelerated Payment Plan (APP), allows members to receive a higher NTRS benefit prior to minimum Social Security eligibility age (currently age 62). When the minimum Social Security eligibility age is attained, the member's NTRS benefit is reduced and remains at a reduced level for the remainder of their retirement.

The Partial Lump Sum Option (PLSO) is available to qualified members. This option allows qualified members to elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time, lump-sum payment at retirement.

### Disability Retirement Benefits

Disability retirement benefits are payable to persons who have met service and eligibility requirements and who, because of permanent disability, are unable to earn a livelihood in any occupation. The disability retirement benefit is calculated at 90% of the normal service retirement benefit.

### Cost-of-Living Adjustments

Cost-of-living adjustments (COLAs) are provided starting the fourth January after retirement to service and disability retirees, and to Joint-and-Survivor beneficiaries of deceased retirees. The annual COLA, not to exceed 5%, is based on the increase in the cost of living as measured by the Department of Labor Consumer Price Index for the previous fiscal year and is applied to the current benefit of each eligible recipient. Lifetime COLAs are limited to 80% of the original retirement benefit.

### Member Handbook

A Member Handbook which furnishes more complete information concerning provisions of the NTRS law and regulations can be obtained from the retirement office.

## Statistical Section

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## PSRS Additions by Source

(Dollar amounts in thousands)

Year	Employee Contributions	Employer Contributions	Investment Income	Other Income	Total
1996	\$ 249,854	\$ 238,631	\$ 1,370,448	\$ 25,681	\$ 1,884,614
1997	264,736	251,958	2,396,120	494	2,913,308
1998	289,224	273,126	2,609,911	246	3,172,507
1999	302,183	287,699	1,795,732	273	2,385,887
2000	319,579	304,944	1,455,003	274	2,079,800
2001	335,275	324,526	(407,172)	810	253,439
2002	356,685	340,000	(582,958)	2,761	116,488
2003	378,434	355,979	873,340	351	1,608,104
2004	405,614	359,763	2,402,566	488	3,168,431
2005	432,500	389,416	1,958,622	476	2,781,014

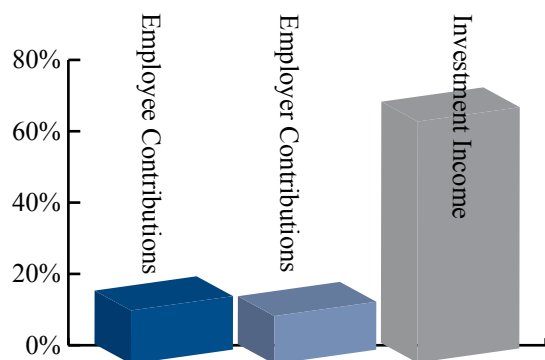
## PSRS Deductions by Type

(Dollar amounts in thousands)

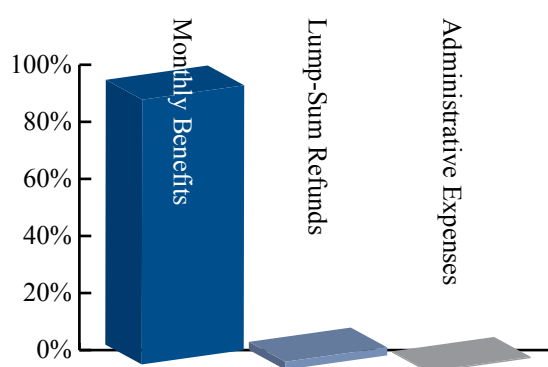
Year	Monthly Benefits	Lump-Sum Refunds	Administrative Expenses	Other	Total
1996	\$ 349,698	\$ 23,756	\$ 3,763	\$ 25,045	\$ 402,262
1997	399,875	25,973	3,867	181	429,896
1998	442,850	28,409	2,827*	6	474,092
1999	534,619	31,044	3,137	3	568,803
2000	638,981	36,098	3,710	2	678,791
2001	749,891	35,047	3,995	14	788,947
2002	860,435	31,779	4,439	47	896,700
2003	930,450	28,474	4,674	1	963,599
2004	1,024,740	36,018	5,265	9	1,066,032
2005	1,152,578	34,346	5,566	48	1,192,538

\*Shared expenses were allocated under a new formula beginning in 1998.

### Additions



### Deductions



## NTRS Additions by Source

(Dollar amounts in thousands)

Year	Employee Contributions	Employer Contributions	Investment Income	Other Income	Total
1996	\$ 21,155	\$ 20,967	\$ 101,972	\$ 6	\$ 144,100
1997	24,616	24,394	183,542	11	232,563
1998	27,528	27,316	198,913	11	253,768
1999	30,372	30,013	137,142	17	197,544
2000	34,499	34,186	113,954	14	182,653
2001	37,934	37,500	(29,647)	73	45,860
2002	46,217	45,773	(46,732)	26	45,284
2003	48,994	48,933	73,188	16	171,131
2004	50,625	49,977	198,389	10	299,001
2005	55,699	53,110	170,921	9	279,739

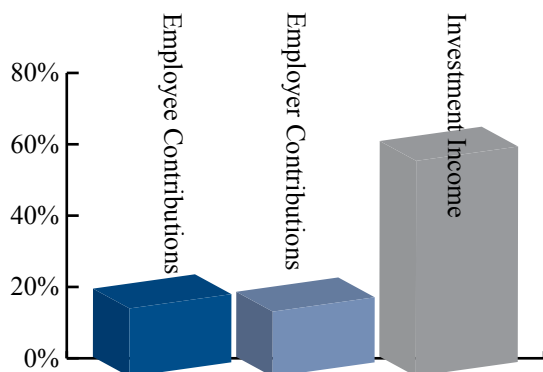
## NTRS Deductions by Type

(Dollar amounts in thousands)

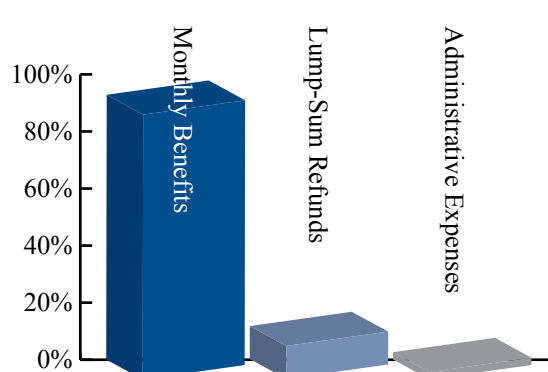
Year	Monthly Benefits	Lump-Sum Refunds	Administrative Expenses	Other	Total
1996	\$ 25,155	\$ 5,182	\$ 769		\$ 31,106
1997	28,265	6,160	884		35,309
1998	31,338	7,121	1,470*	\$ 1	39,930
1999	34,518	7,295	1,604	1	43,418
2000	41,530	9,902	1,919	1	53,352
2001	49,038	9,201	2,242	4	60,485
2002	59,871	7,866	2,574	1	70,312
2003	67,399	8,034	2,946	-	78,379
2004	74,871	10,420	3,210	-	88,501
2005	83,906	11,892	3,564	-	99,362

\*Shared expenses were allocated under a new formula beginning in 1998.

### Additions



### Deductions

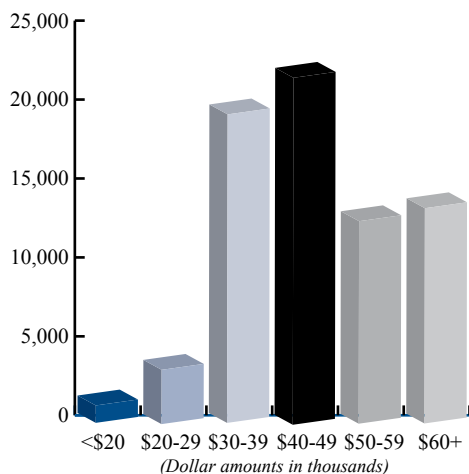


# PSRS Summary of Changes in Membership During 2004-2005

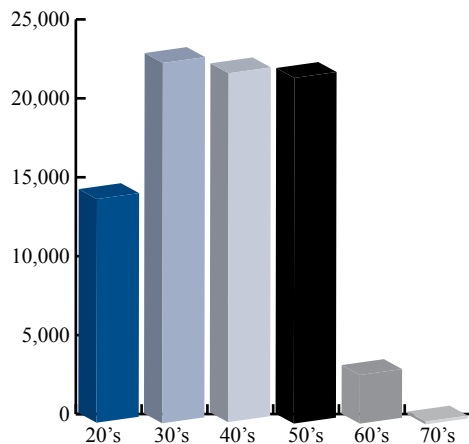
	<u>Male</u>	<u>Female</u>	<u>Total</u>
Membership, July 1, 2004	19,273	66,198	85,471
New members added	1,124	3,953	5,077
Less:			
Service retirements	703	1,929	2,632
Disability retirements	12	46	58
Withdrawals	495	1,524	2,019
Deaths	14	29	43
Memberships terminated	41	196	237
Other	21	(4)	17
	<u>1,286</u>	<u>3,720</u>	<u>5,006</u>
Net change in membership 2004-2005	<u>(162)</u>	<u>233</u>	<u>71</u>
Membership June 30, 2005	<u>19,111</u>	<u>66,431</u>	<u>85,542</u>

*Note: Seventeen members eligible for retirement died during the year. These are reflected as deaths on this schedule, but as new retirees on page 98. Additionally, 19 active deaths in 2004 are reflected as new retirees this year.*

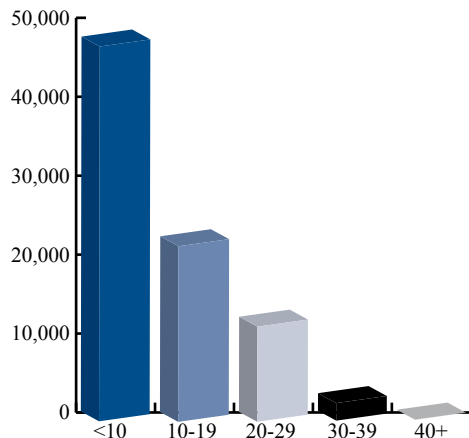
2004-2005 PSRS Members by Annual Salary



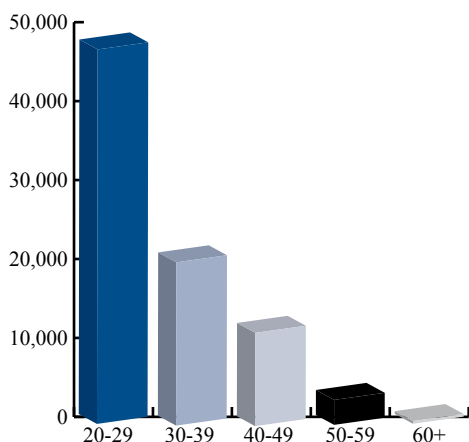
2004-2005 PSRS Members by Current Age



2004-2005 PSRS Members by Total Service Credit



2004-2005 PSRS Age at Entry into System

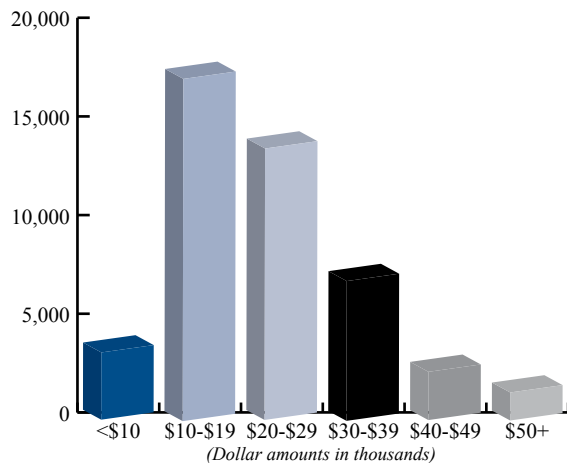


# NTRS Summary of Changes in Membership During 2004-2005

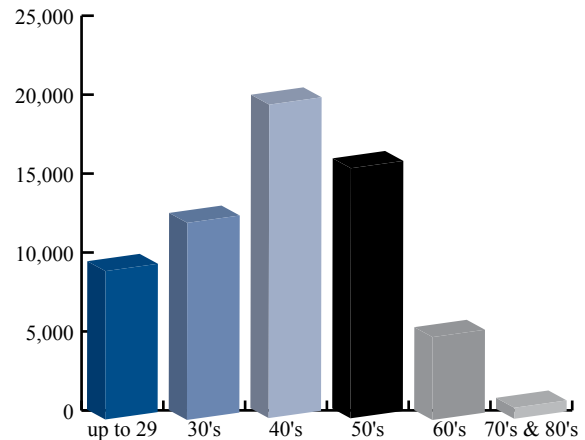
	<u>Male</u>	<u>Female</u>	<u>Total</u>
Membership, July 1, 2004	15,984	48,733	64,717
New members added	2,011	5,198	7,209
Less:			
Service retirements	315	773	1,088
Disability retirements	10	33	43
Withdrawals	1,282	3,408	4,690
Deaths	53	49	102
Memberships terminated	297	691	988
Other	13	33	46
	<u>1,970</u>	<u>4,987</u>	<u>6,957</u>
Net change in membership 2004-2005	<u>41</u>	<u>211</u>	<u>252</u>
Membership June 30, 2005	<u>16,025</u>	<u>48,944</u>	<u>64,969</u>

**Note:** Four members eligible for retirement died during the year. These are reflected as deaths on this schedule, but as new retirees on page 99.

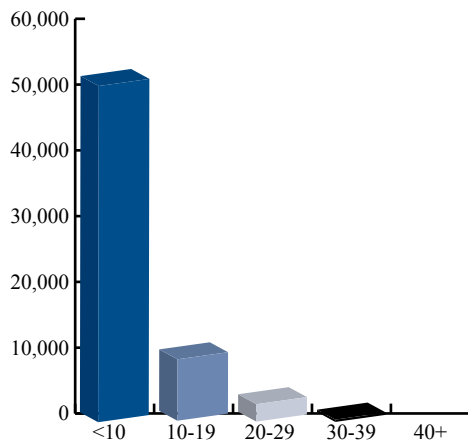
2004-2005 NTRS Members by Annual Salary



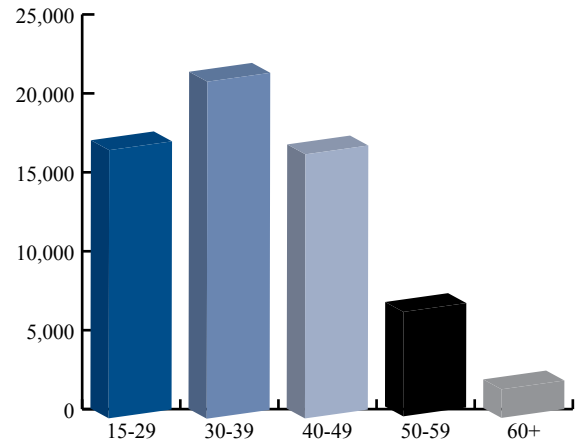
2004-2005 NTRS Members by Current Age



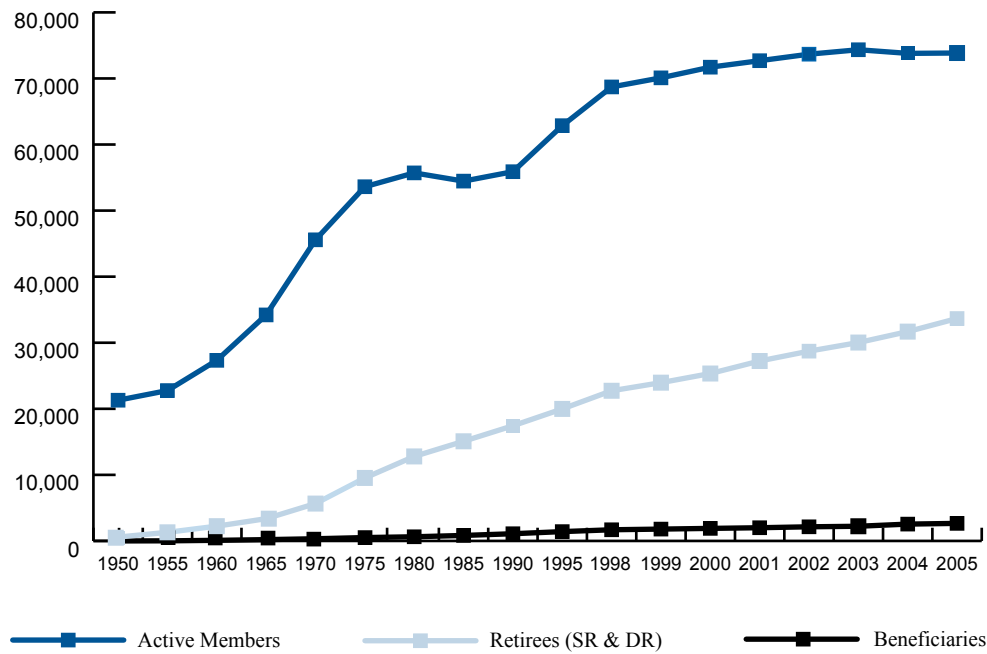
2004-2005 NTRS Members by Total Service Credit



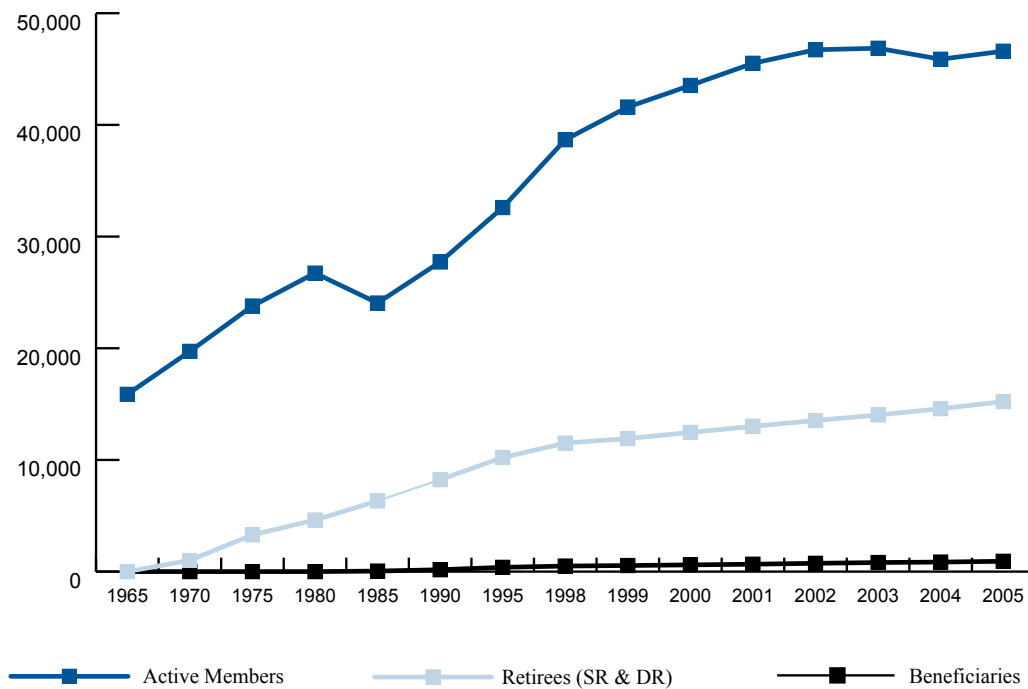
2004-2005 NTRS Age at Entry into System



## PSRS Growth Through the Years



## NTRS Growth Through the Years

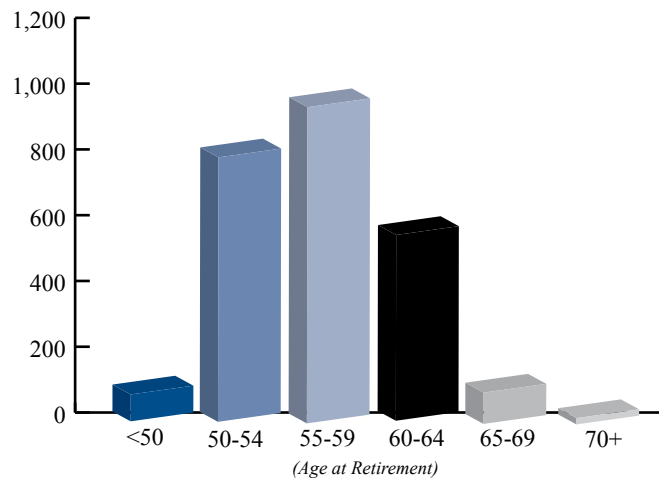




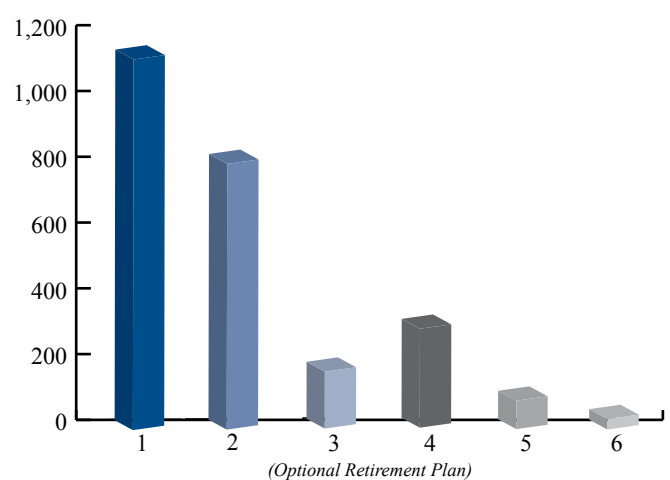
## PSRS 2004-2005 New Service Retirees

	<u>Service Retirees</u>	<u>Disability Retirees</u>	<u>Beneficiaries</u>
Retirees July 1, 2004	31,052	630	2,548
Added during the year	2,630	58	226
Died during the year	(680)	(22)	(79)
Other	(1)	(2)	(39)
Retirees June 30, 2005	<u>33,001</u>	<u>664</u>	<u>2,656</u>

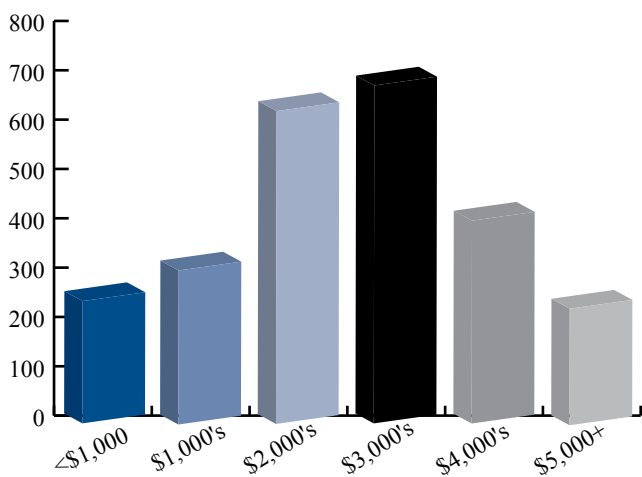
2004-2005 New Service Retirees by Age at Retirement



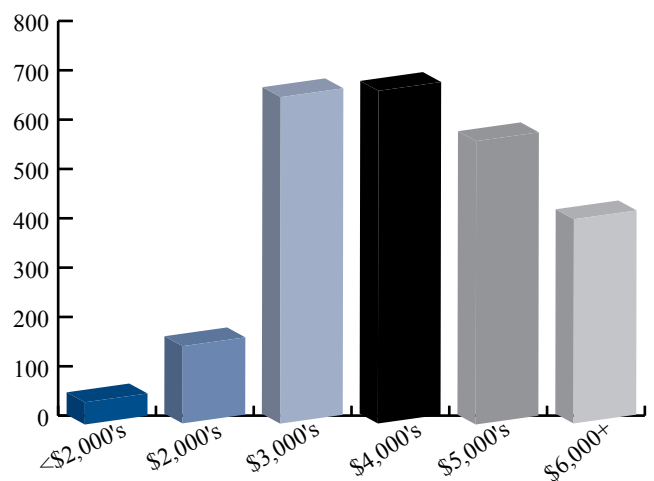
2004-2005 New Service Retirees by Retirement Plan Option



2004-2005 New Service Retirees by Single Life Benefit Amount



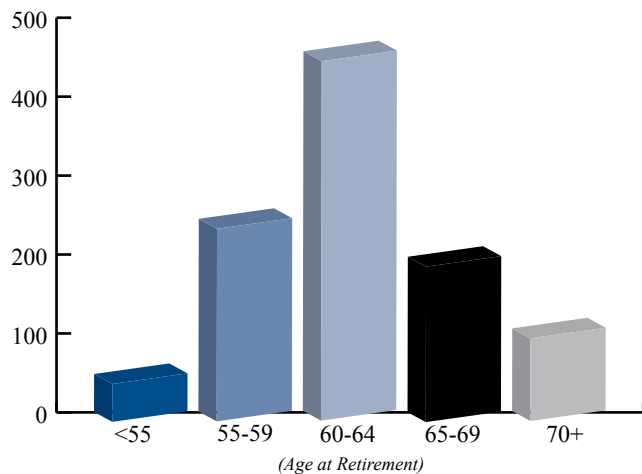
2004-2005 New Service Retirees by Final Average Monthly Salary



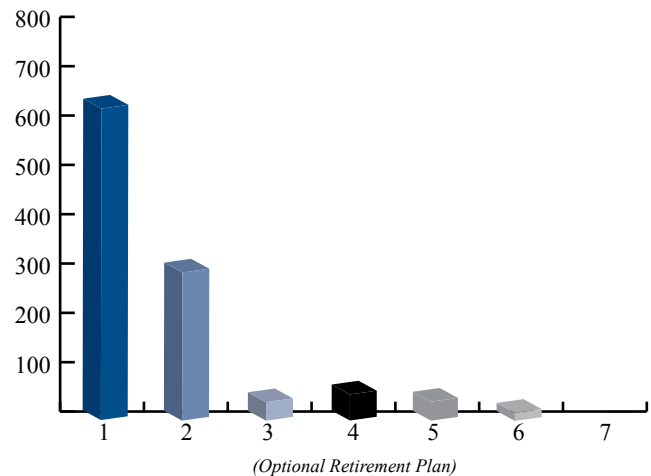
# NTRS 2004-2005 New Service Retirees

	<u>Service Retirees</u>	<u>Disability Retirees</u>	<u>Beneficiaries</u>
Retirees July 1, 2004	14,159	431	855
Added during the year	1,092	43	98
Died during the year	(475)	(22)	(29)
Other	(6)	(4)	0
Retirees June 30, 2005	<u>14,770</u>	<u>448</u>	<u>924</u>

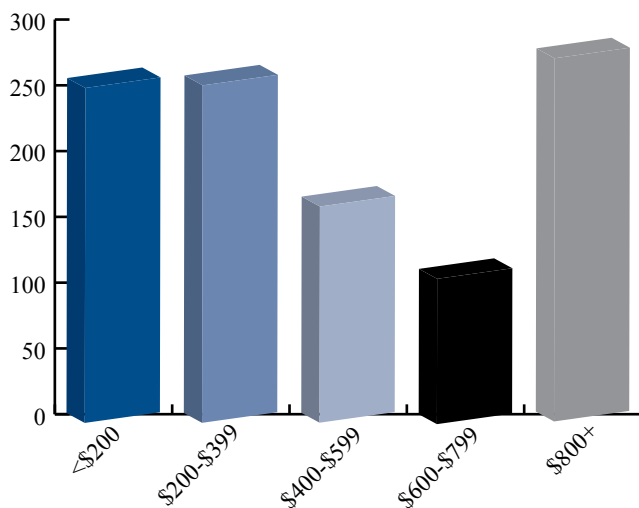
2004-2005 New Service Retirees by Age at Retirement



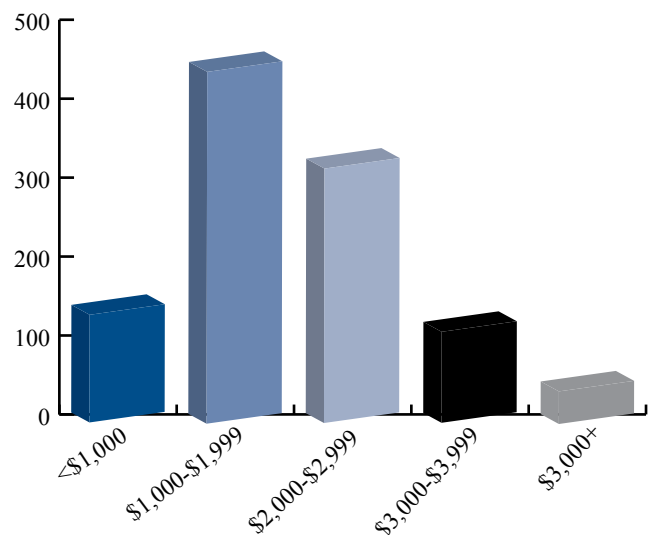
2004-2005 New Service Retirees by Retirement Plan Option



2004-2005 New Service Retirees by Single Life Benefit Amount



2004-2005 New Service Retirees by Final Average Monthly Salary



## PSRS Schedule of Retirees by Type (As of June 30) and Benefits by Type (For the year ended June 30)

(Dollar amounts in thousands)

Year	Service Retirees		Disability Retirees		Beneficiaries	
	Number	Benefits	Number	Benefits	Number	Benefits
1995	19,424	\$ 281,897	558	\$ 6,427	1,412	\$ 11,821
1996	20,075	329,115	567	7,180	1,490	13,403
1997	21,140	375,518	566	7,541	1,586	15,856
1998	22,169	417,421	561	7,716	1,691	17,623
1999	23,386	504,517	569	8,717	1,793	21,385
2000	24,759	601,718	580	9,762	1,899	27,501
2001	26,639	706,647	596	10,719	1,999	32,525
2002	28,128	810,898	597	11,621	2,140	37,916
2003	29,423	877,538	604	11,901	2,222	41,011
2004	31,052	958,155	630	12,720	2,548	44,688
2005	33,001	1,057,429	664	13,613	2,656	49,056

Note: An additional \$32,478,920 was paid in partial lump sum benefits.

## PSRS Average New Retiree Statistics

Year Ending June 30	Regular Retirement Benefit	Increase From Previous Year	Age	Creditable Service
1995	\$ 2,013	(3)%	58.7	26.8
1996	2,183	8	56.3	27.8
1997	2,310	6	56.9	27.8
1998	2,205	(5)	57.1	26.8
1999	2,447	10	57.0	26.7
2000	2,708	11	57.0	26.4
2001	2,806	4	56.7	26.6
2002	2,964	6	56.6	26.6
2003	2,962	0	56.8	26.0
2004	3,108	5	56.8	26.2
2005	3,108	0	57.0	25.7

## NTRS Schedule of Retirees by Type (As of June 30) and Benefits by Type (For the year ended June 30)

(Dollar amounts in thousands)

Year	Service Retirees		Disability Retirees		Beneficiaries	
	Number	Benefits	Number	Benefits	Number	Benefits
1995	9,967	\$ 20,842	249	\$ 481	383	\$ 699
1996	10,376	23,785	267	550	415	820
1997	10,811	26,555	276	598	460	967
1998	11,218	29,599	288	665	497	1,074
1999	11,600	32,548	316	745	545	1,225
2000	12,113	39,072	347	945	601	1,513
2001	12,632	46,093	378	1,122	663	1,823
2002	13,141	56,305	387	1,304	742	2,262
2003	13,619	63,333	405	2,618	813	1,448
2004	14,159	69,899	431	1,503	855	2,949
2005	14,770	\$ 77,333	448	\$ 1,686	924	\$ 3,360

Note: An additional \$1,527,415 was paid in partial lump sum benefits.

## NTRS Average New Retiree Statistics

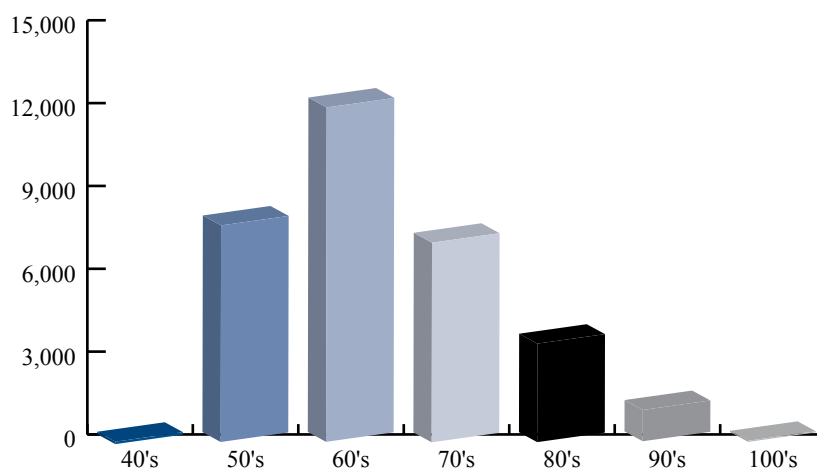
Year Ending June 30	New Service Retirees	Average New Monthly Benefit	% Increase/Decrease From Previous Year
1995	679	\$ 299	(3)%
1996	797	330	11
1997	809	337	2
1998	834	338	0
1999	796	344	2
2000	962	398	16
2001	978	475	19
2002	966	548	15
2003	978	561	2
2004	1,075	572	2
2005	1,092	582	2

# PSRS Schedule of Average Benefit Payments to New Retirees

Retirement Effective Dates	Years of Credit				
	5-9.9	10-19.9	20-29.9	30-39.9	40 +
<b>2004-05</b>					
Average monthly benefit	\$ 579	\$ 1,314	\$ 2,977	\$ 4,240	\$ 5,751
Average final average salary	\$ 3,630	\$ 3,783	\$ 4,652	\$ 5,216	\$ 5,751
Number of retirees	158	323	1,165	973	11
<b>2003-04</b>					
Average monthly benefit	\$ 510	\$ 1,363	\$ 2,944	\$ 4,205	\$ 4,042
Average final average salary	\$ 3,243	\$ 3,849	\$ 4,582	\$ 5,155	\$ 4,042
Number of retirees	146	269	1,097	927	12
<b>2002-03</b>					
Average monthly benefit	\$ 493	\$ 1,295	\$ 2,832	\$ 4,005	\$ 4,241
Average final average salary	\$ 3,210	\$ 3,591	\$ 4,418	\$ 4,936	\$ 4,241
Number of retirees	111	247	930	752	17
<b>2001-02</b>					
Average monthly benefit	\$ 486	\$ 1,253	\$ 2,738	\$ 3,872	\$ 4,823
Average final average salary	\$ 3,276	\$ 3,637	\$ 4,248	\$ 4,824	\$ 4,823
Number of retirees	93	232	1,034	875	18
<b>2000-01</b>					
Average monthly benefit	\$ 478	\$ 1,165	\$ 2,621	\$ 3,593	\$ 5,431
Average final average salary	\$ 3,020	\$ 3,245	\$ 4,072	\$ 4,552	\$ 5,431
Number of retirees	75	276	1,232	1,027	18
<b>1999-00</b>					
Average monthly benefit	\$ 506	\$ 1,128	\$ 2,472	\$ 3,514	\$ 5,208
Average final average salary	\$ 2,949	\$ 3,310	\$ 3,900	\$ 4,447	\$ 5,209
Number of retirees	95	218	913	912	14

## Ages of Retirees Receiving Benefits

As of 6/30/2005

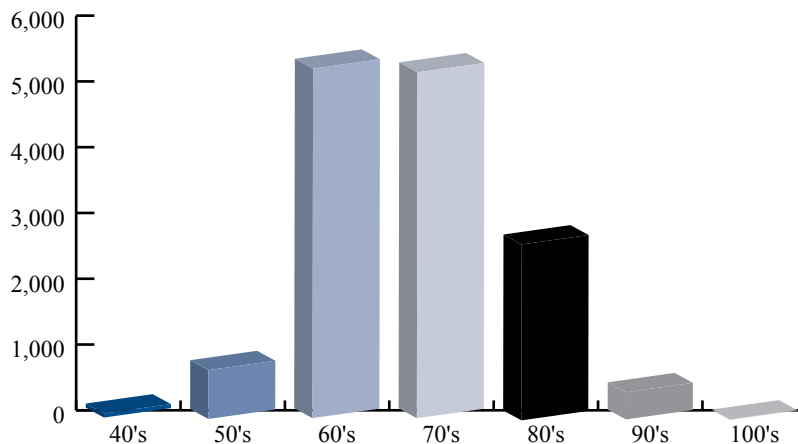


# NTRS Schedule of Average Benefit Payments to New Retirees

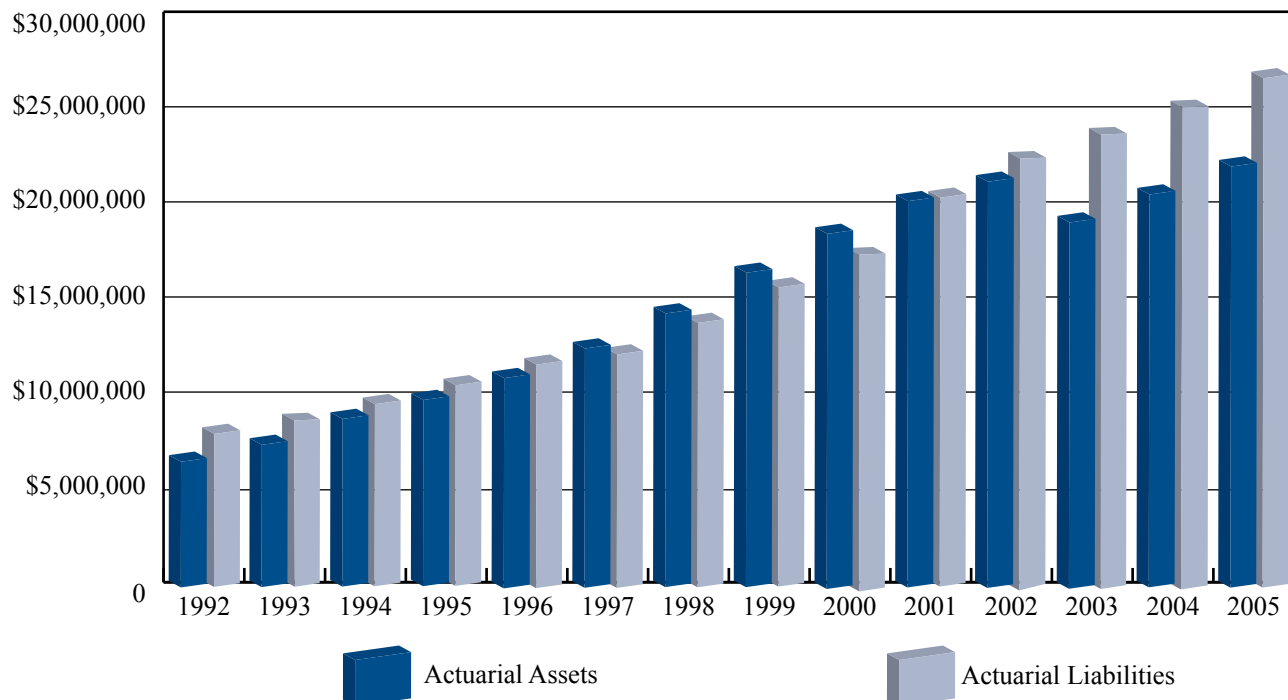
Retirement Effective Dates	Years of Credit			
	5-9.9	10-19.9	20-29.9	30 +
<b>2004-05</b>				
Average monthly benefit	\$ 178	\$ 430	\$ 952	\$ 1,395
Average final average salary	\$ 1,608	\$ 1,934	\$ 2,427	\$ 2,635
Number of retirees	310	381	322	79
<b>2003-04</b>				
Average monthly benefit	\$ 159	\$ 401	\$ 906	\$ 1,468
Average final average salary	\$ 1,454	\$ 1,788	\$ 2,305	\$ 2,771
Number of retirees	306	366	306	97
<b>2002-03</b>				
Average monthly benefit	\$ 167	\$ 402	\$ 836	\$ 1,250
Average final average salary	\$ 1,519	\$ 1,737	\$ 2,115	\$ 2,397
Number of retirees	222	338	335	71
<b>2001-02</b>				
Average monthly benefit	\$ 147	\$ 373	\$ 827	\$ 1,355
Average final average salary	\$ 1,382	\$ 1,644	\$ 2,102	\$ 2,530
Number of retirees	230	324	354	58
<b>2000-01</b>				
Average monthly benefit	\$ 141	\$ 345	\$ 685	\$ 1,150
Average final average salary	\$ 1,363	\$ 1,645	\$ 1,894	\$ 2,300
Number of retirees	217	371	306	84
<b>1999-00</b>				
Average monthly benefit	\$ 120	\$ 310	\$ 594	\$ 876
Average final average salary	\$ 1,188	\$ 1,524	\$ 1,735	\$ 1,853
Number of retirees	213	374	307	67

## Ages of Retirees Receiving Benefits

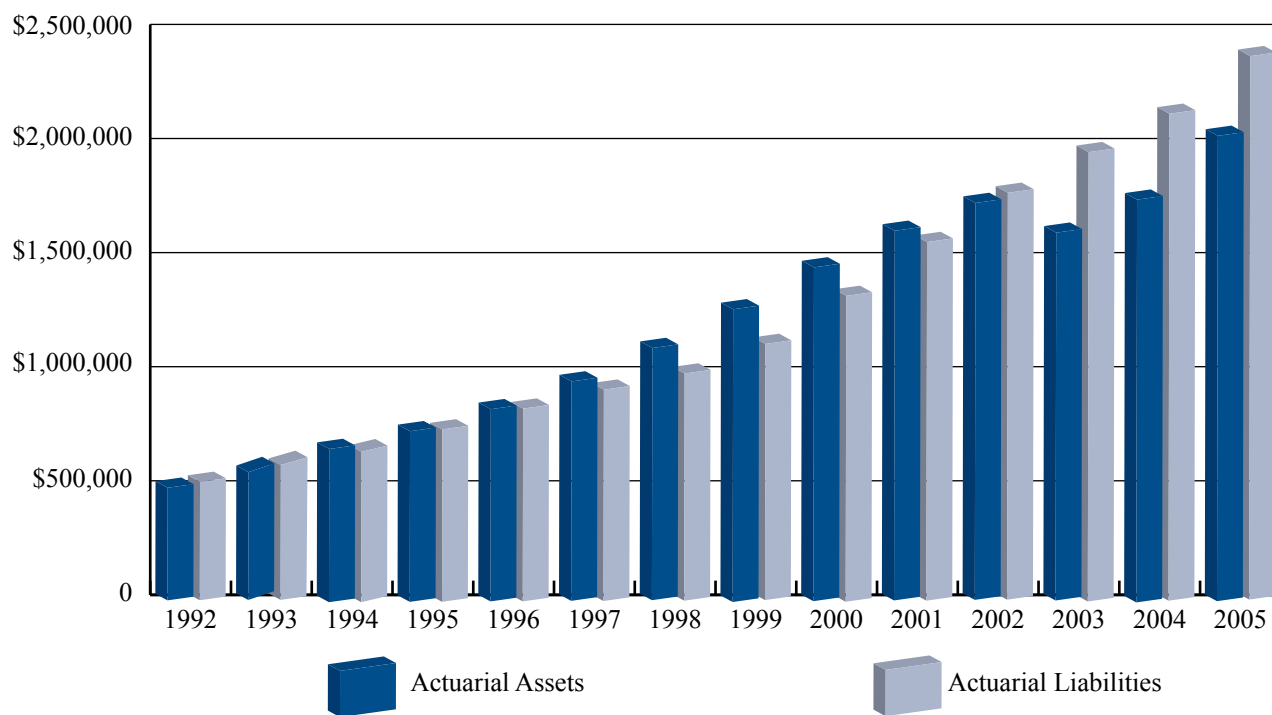
As of 6/30/2005



## PSRS Comparison of Actuarial Assets and Total Actuarial Liabilities



## NTRS Comparison of Actuarial Assets and Total Actuarial Liabilities



# Employees Reported During 2004-2005

DISTRICT	PSRS	NTRS	TOTAL	DISTRICT	PSRS	NTRS	TOTAL
Special School Dist-St. Louis	2,771	2,467	5,238	Fulton Public Schools	214	181	395
Springfield R-XII Schools	1,914	1,328	3,242	Afton 101 Schools	222	172	394
Rockwood R-VI Schools	1,690	1,213	2,903	Union R-XI Schools	226	163	389
Parkway C-2 Schools	1,575	1,070	2,645	Excelsior Springs 40 Schools	252	132	384
North Kansas City Schools	1,430	1,117	2,547	Jennings Public Schools	259	125	384
Columbia Public Schools	1,490	957	2,447	Mexico Public Schools	202	165	367
Hazelwood R-I Schools	1,486	912	2,398	West Plains R-VII Schools	208	159	367
Lee's Summit R-VII Schools	1,179	1,072	2,251	Warren Co. R-III Schools	198	159	357
Ft. Zumwalt R-II Schools	1,270	968	2,238	Republic R-III Schools	236	117	353
Francis Howell R-III Schools	1,397	764	2,161	Nevada R-V Schools	226	127	353
Ferguson-Florissant R-2 School	1,039	845	1,884	Marshall Public Schools	231	121	352
Blue Springs R-IV Schools	1,009	809	1,818	Kearney R-I Schools	240	102	342
Independence Public Schools	850	910	1,760	DeSoto Public Schools	201	140	341
St. Joseph Public Schools	954	672	1,626	Bolivar R-I Schools	211	130	341
Fox C-6 Schools	811	519	1,330	Platte County R-III Schools	222	118	340
Park Hill Schools	744	547	1,291	Carl Junction R-I Schools	210	123	333
Raytown C-2 Schools	738	542	1,280	Jefferson College	173	159	332
Metropolitan Community College	499	751	1,250	Marshfield R-I Schools	229	100	329
Liberty Public Schools	622	599	1,221	Moberly Public Schools	216	112	328
Mehlville R-IX Schools	773	440	1,213	Perry County 32 Schools	204	123	327
Wentzville R-IV Schools	668	531	1,199	Festus R-VI Schools	193	133	326
Jefferson City Public Schools	709	394	1,103	Crowder College	216	106	322
Joplin R-VIII Schools	613	411	1,024	Harrisonville R-IX Schools	204	114	318
Hickman Mills C-1 Schools	638	373	1,011	St. Clair R-XIII Schools	186	129	315
Riverview Gardens Schools	577	404	981	Dallas County R-I Schools	179	134	313
Pattonville R-III Schools	587	384	971	Chillicothe R-II Schools	185	128	313
St. Louis Community College	960	0	960	Reeds Spring R-IV Schools	188	121	309
Northwest R-I Schools	567	356	923	Grain Valley R-V Schools	174	128	302
Fort Osage R-I Schools	418	387	805	Monett R-I Schools	194	107	301
Kirkwood R-VII Schools	442	317	759	Eldon R-I Schools	174	120	294
St. Charles Co. R-VI Schools	504	220	724	Kennett 39 Public Schools	189	101	290
Normandy Public Schools	389	298	687	State Fair Community College	194	89	283
Grandview C-4 Schools	394	290	684	Aurora R-VIII Schools	165	117	282
Waynesville R-VI Schools	447	236	683	Savannah R-III Schools	189	92	281
Poplar Bluff R-I Schools	390	274	664	Clinton School District	176	101	277
Raymore-Peculiar R-II Schools	376	275	651	Mineral Area Community College	194	83	277
Ritenour Public Schools	460	184	644	Dexter R-XI Schools	157	113	270
Lindbergh R-VIII Schools	422	196	618	Cassville R-IV Schools	142	127	269
Cape Girardeau Public Schools	404	211	615	Potosi R-III Schools	174	93	267
Belton 124 Public Schools	372	225	597	Odessa R-VII Schools	196	69	265
Jackson R-II Schools	310	273	583	Moberly Area Community College	176	86	262
Camdenton R-III Schools	335	241	576	Gasconade Co. R-II Schools	147	110	257
Webster Groves Public Schools	346	224	570	Sullivan C-2 Schools	163	91	254
University City Public Schools	343	222	565	New Madrid Co. R-I Schools	166	88	254
Washington Public Schools	349	210	559	St. James R-I Schools	143	110	253
Sikeston R-VI Schools	326	231	557	East Central College	155	92	247
Sedalia 200 Public Schools	335	220	555	Knob Noster R-VIII Schools	155	91	246
Hannibal 60 Public Schools	348	205	553	Fredericktown R-I Schools	147	99	246
Rolla 31 Public Schools	332	213	545	Central R-III Schools	148	96	244
Lebanon R-III Schools	322	217	539	Greene Co. R-VIII Schools	143	99	242
Neosho R-V Schools	301	231	532	Ste. Genevieve R-II Schools	155	86	241
Ladue Public Schools	381	149	530	Mountain Grove R-III Schools	140	98	238
Troy R-III Schools	316	193	509	North Central Missouri College	112	123	235
Meramec Valley R-III Schools	281	223	504	Three Rivers Community College	171	61	232
Windsor C-1 Schools	289	212	501	School of the Osage R-II Sch.	148	83	231
Ozarks Technical Comm. College	328	168	496	Maryville R-II Schools	150	76	226
Clayton Public Schools	309	186	495	Cameron R-I Schools	141	83	224
Webb City R-VII Schools	279	212	491	Caruthersville 18 Schools	151	73	224
Nixa R-II Schools	352	130	482	Morgan Co. R-II Schools	138	79	217
Farmington R-VII Schools	318	159	477	Pleasant Hill R-III Schools	151	64	215
Carthage R-IX Schools	295	177	472	Boonville R-I Schools	139	72	211
Ozark R-VI Schools	323	146	469	Oak Grove R-VI Schools	141	70	211
St. Charles Comm. College	220	246	466	Salem R-80 Schools	117	88	205
Warrensburg R-VI Schools	284	174	458	Seneca R-VII Schools	127	78	205
Branson R-IV Schools	259	199	458	Doniphan R-I Schools	131	74	205
Willard R-II Schools	280	166	446	Richmond R-XVI Schools	138	66	204
N. St. Francois R-I Schools	256	190	446	Ava R-I Schools	131	68	199
Hillsboro R-III Schools	244	182	426	Smithville R-II Schools	146	52	198
Kirksville R-3 School District	243	174	417	Macon Co. R-I Schools	125	71	196
McDonald Co. C-1 Schools	285	130	415	St. Charles Co. R-V Schools	112	84	196
Center Public Schools	252	151	403	Winfield R-IV Schools	125	70	195



DISTRICT	PSRS	NTRS	TOTAL
East Newton Co. R-VI Schools	125	70	195
Montgomery Co. R-II Schools	129	65	194
Bowling Green R-I Schools	122	72	194
Warsaw R-IX Schools	106	87	193
Wright City R-II Schools	123	70	193
Charleston R-I Schools	110	82	192
Hancock Place Public Schools	145	43	188
Brookfield R-III Schools	123	63	186
North Callaway Co R-I Schools	121	64	185
Willow Springs R-IV Schools	119	66	185
Lexington R-V Schools	122	58	180
Holden R-III Schools	113	66	179
Clearwater R-I Schools	104	75	179
Mountain View R-3 Schools	124	54	178
Crawford County R-II Schools	117	60	177
Maplewood-Richmond Heights Sch	101	76	177
Hollister R-V Schools	99	77	176
Lamar R-I Schools	110	63	173
Palmyra R-I Schools	97	76	173
Mt. Vernon R-V Schools	119	53	172
El Dorado Springs R-II Schools	112	56	168
Moniteau Co. R-I Schools	108	60	168
Forsyth R-III Schools	95	68	163
Southern Boone Co R-I Schools	120	42	162
Dunklin R-V Schools	98	64	162
Trenton R-IX Schools	104	56	160
Arcadia Valley R-II Schools	110	49	159
Centralia R-VI Schools	110	48	158
Malden R-I Schools	112	46	158
Boone County R-IV Schools	103	54	157
Strafford R-VI Schools	91	65	156
Valley Park Public Schools	103	51	154
Twin Rivers R-X Schools	94	59	153
South Callaway Co R-II Schools	97	56	153
Crawford Co. R-I Schools	87	65	152
Lafayette Co. C-1 Schools	98	53	151
Fair Grove R-X Schools	97	53	150
Houston R-I Schools	101	48	149
Gasconade Co. R-I Schools	97	50	147
Carrollton R-VII Schools	94	51	145
Clark Co. R-I Schools	99	45	144
East Prairie R-II Schools	91	53	144
Seymour R-II Schools	86	58	144
Lawson R-XIV Schools	105	37	142
Lewis County C-1 Schools	95	46	141
Dixon R-I Schools	88	52	140
Butler R-V Schools	99	39	138
Stockton R-I Schools	85	53	138
Steeleville R-III Schools	86	52	138
Bayless Public Schools	105	32	137
Brentwood Public Schools	93	44	137
South Harrison Co. R-2 Schools	85	51	136
Lathrop R-II Schools	86	43	129
Hayti R-II Schools	88	39	127
W. St. Francois R-IV Schools	91	36	127
Scott City R-I Schools	85	40	125
Licking R-VIII Schools	75	50	125
Cabool R-IV Schools	76	47	123
Scott Co. R-IV Schools	86	35	121
Kingston K-14 Schools	71	50	121
Pleasant Hope R-VI Schools	85	35	120
Blue Eye R-V Schools	74	46	120
Sherwood Cass R-VIII Schools	76	43	119
Cole County R-I Schools	76	43	119
Louisiana R-II Schools	73	46	119
Maries Co. R-II Schools	74	44	118
Diamond R-IV Schools	68	50	118
Alton R-IV Schools	71	47	118
Westran R-I Schools	72	46	118
Pemiscot Co. Special Schools	65	53	118
Laclede Co. R-I Schools	72	45	117
Wellston Public Schools	64	53	117
Greenville R-II Schools	69	48	117
Osage County R-III Schools	75	41	116
Putnam Co. R-I Schools	79	37	116

DISTRICT	PSRS	NTRS	TOTAL
Van-Far R-I Schools	80	35	115
Pierce City R-VI Schools	75	40	115
Shelby Co. R-IV Schools	72	43	115
Hickory County R-I Schools	65	49	114
Southwest R-V Schools	68	45	113
Monroe City R-I Schools	71	42	113
Laquey R-V Schools	65	47	112
Sarcoxie R-II Schools	66	45	111
Pike County R-III Schools	65	46	111
Schuyler County R-I Schools	69	42	111
Puxico R-VIII Schools	68	43	111
Windsor R-I Schools	66	44	110
Jasper Co. R-V Schools	64	46	110
East Buchanan Co C-1 Schools	77	32	109
Ralls Co. R-II Schools	76	33	109
Dept. of Elem. & Secondary Ed.	109		109
Osage Co. R-II Schools	62	46	108
Woodland R-IV Schools	75	32	107
Senath-Hornersville C-8 School	70	37	107
Elsberry R-II Schools	71	36	107
Iberia R-V Schools	67	40	107
Milan C-2 Schools	70	37	107
Portageville Schools	70	37	107
Purdy R-II Schools	65	41	106
Ash Grove R-IV Schools	69	37	106
Fayette R-3 Schools	76	30	106
North Platte Co. R-1 Schools	72	34	106
Callaway County R-III Schools	63	42	105
Johnson Co. R-VII Schools	68	37	105
Public School Retirement System	5	100	105
Grandview R-II Schools	68	36	104
Jefferson Co R-VII Schools	55	49	104
Scotland Co. R-I Schools	64	40	104
Crane R-III Schools	72	32	104
Neelyville R-IV Schools	63	40	103
East Carter Co. R-II Schools	67	36	103
Marionville R-IX Schools	67	36	103
Gainesville R-V Schools	66	37	103
Cole Camp R-I Schools	63	39	102
Sparta R-III Schools	71	31	102
Miller R-II Schools	60	41	101
Bloomfield R-XIV Schools	68	33	101
Thayer R-II Schools	64	36	100
West Platte Co. R-II Schools	70	30	100
Clinton Co. R-III Schools	72	27	99
South Pemiscot Co. R-V Schools	70	29	99
Hartville R-II Schools	68	31	99
Cole Co. R-V Schools	66	32	98
Clever R-V Schools	63	34	97
Spokane R-VII Schools	64	33	97
Fordland R-III Schools	58	39	97
Norwood R-I Schools	56	41	97
Knox Co. R-I Schools	60	36	96
Pulaski Co. R-IV Schools	65	30	95
Hamilton R-II Schools	68	26	94
Marceline R-V Schools	64	29	93
Morgan Co. R-I Schools	62	31	93
Campbell R-II Schools	58	34	92
Albany R-III Schools	56	36	92
Mansfield R-IV Schools	59	32	91
Canton R-V Schools	58	32	90
Cole Co. R-II Schools	61	27	88
Gallatin R-V Schools	62	26	88
Paris R-II Schools	51	37	88
Marion C. Early R-5 Schools	58	30	88
Liberal R-II Schools	55	31	86
Crystal City Public Schools	61	25	86
Smithton R-VI Schools	56	30	86
Maysville R-I Schools	68	17	85
Moniteau Co. R-VI Schools	55	30	85
Southern Reynolds R-II Schools	50	35	85
Sturgeon R-V Schools	47	37	84
Adrian R-III Schools	53	30	83
Mid-Buchanan Co R-V Schools	58	25	83
Midway R-I Schools	53	30	83

## 106 Statistical Section

*The Public School and Non-Teacher School Employee Retirement Systems of Missouri*

DISTRICT	PSRS	NTRS	TOTAL
Harrisburg R-VIII Schools	48	34	82
Van Buren R-I Schools	51	31	82
Lincoln R-II Schools	52	29	81
Camden County R-II Schools	52	29	81
Fairview R-XI Schools	54	26	80
Chaffee R-II Schools	50	30	80
Plato R-V Schools	49	31	80
Salisbury R-IV Schools	46	33	79
Lone Jack C-6 Schools	48	31	79
Tarkio R-I Schools	51	27	78
Bismarck R-V Schools	55	23	78
Winona R-III Schools	49	29	78
Iron Co. C-4 Schools	44	33	77
Lesterville R-IV Schools	42	35	77
Hermitage R-IV Schools	41	35	76
Crocker R-II Schools	45	31	76
Concordia R-II Schools	51	24	75
Meadow Heights R-II Schools	45	29	74
Holcomb R-III Schools	48	26	74
Bernie R-XIII Schools	52	22	74
Climax Springs R-IV Schools	33	40	73
Summersville R-II Schools	51	22	73
Maries Co. R-I Schools	49	23	72
Valley R-VI Schools	47	25	72
New Haven Public Schools	47	24	71
Wellsville Middletown R-1 Sch.	44	27	71
Newburg R-II Schools	48	23	71
Princeton R-V Schools	50	20	70
Greenfield R-IV Schools	41	28	69
Weaubleau R-III Schools	43	26	69
Lakeland R-III Schools	45	24	69
Slater Public Schools	49	20	69
Leeton R-X Schools	40	28	68
Laclede County C-5 Schools	42	26	68
Osceola Schools	49	19	68
Galena R-II Schools	47	21	68
Rock Port R-II Schools	46	21	67
Rich Hill R-IV Schools	45	22	67
Cass Co. R-V Schools	48	19	67
Lonedell R-XIV Schools	37	30	67
Verona R-VII Schools	43	24	67
Appleton City R-II Schools	46	21	67
Scott County Central Schools	46	20	66
South Iron Co. R-I Schools	39	25	64
Santa Fe R-X Schools	44	20	64
LaMonte R-IV Schools	44	20	64
NE Randolph R-IV Schools	39	25	64
Exeter R-VI Schools	34	29	63
Buchanan Co. R-IV Schools	44	19	63
New Franklin R-1 Schools	40	23	63
Pettis Co. R-V Schools	41	22	63
Orrick R-XI Schools	41	22	63
Coop. Sch. Dist. of St. Louis	12	51	63
Community R-VI Schools	36	26	62
King City R-I Schools	44	18	62
Bakersfield R-IV Schools	36	26	62
Fair Play R-II Schools	41	21	62
Adair Co. R-1 Schools	39	22	61
Billings R-IV Schools	46	15	61
Gentry County R-II Schools	40	21	61
Naylor R-II Schools	38	23	61
Green Ridge R-VIII Schools	39	21	60
Humansville R-IV Schools	40	20	60
North Andrew Co. R-VI Schools	41	18	59
Polo R-VII Schools	38	21	59
Oak Ridge R-VI Schools	39	20	59
West Nodaway Co. R-I Schools	39	20	59
Dora R-III Schools	36	23	59
Sweet Springs R-VII Schools	41	18	59
Advance R-IV Schools	42	17	59
Worth Co. R-III Schools	38	21	59
Wheaton R-III Schools	32	26	58
Southland C-9 Schools	39	19	58
Wellington-Napoleon R-IX Sch.	39	19	58
North Nodaway Co. R-VI Schools	35	23	58

DISTRICT	PSRS	NTRS	TOTAL
Richards R-V Schools	37	20	57
Green City R-I Schools	35	22	57
Richland R-I Schools	34	22	56
Pilot Grove C-4 Schools	35	20	55
Lockwood R-I Schools	36	19	55
LaPlata R-II Schools	36	19	55
NE Nodaway Co. R-V Schools	30	25	55
Nodaway-Holt R-VII Schools	34	21	55
Wheatland R-II Schools	29	25	54
North Pemiscot R-I Schools	37	17	54
Macks Creek R-5 Schools	39	14	53
Kirbyville R-VI Schools	33	20	53
Clarkton C-4 Schools	37	15	52
South Holt Co. R-1 Schools	36	16	52
Silex R-I Schools	31	21	52
Shelby Co. C-1 Schools	38	14	52
Braymer C-4 Schools	36	15	51
Holt Co. R-II Schools	34	17	51
Howard County R-II Schools	37	14	51
Miller County R-III Schools	30	21	51
Gideon 37 Public Schools	34	17	51
Calhoun R-VIII Schools	26	24	50
Halfway R-III Schools	32	18	50
Oran R-III Schools	39	11	50
Delta R-V Schools	32	17	49
Drexel R-IV Schools	37	12	49
Dent-Phelps R-III Schools	26	23	49
Couch R-I Schools	32	17	49
Oregon-Howell R-III Schools	32	17	49
Eminence R-I Schools	29	20	49
Zalma R-V Schools	26	22	48
Shell Knob Public Schools	29	18	47
Otterville R-VI Schools	30	17	47
Bunker R-III Schools	30	17	47
Bronaugh R-VII Schools	30	17	47
Adair County R-II Schools	29	17	46
Tri-County R-VII Schools	30	16	46
Sheldon R-VIII Schools	33	13	46
Miami R-I Schools	27	18	45
Brunswick R-II Schools	30	15	45
Walnut Grove R-V Schools	32	13	45
Sunrise R-IX Schools	31	14	45
Risco R-II Schools	29	16	45
Northeast Vernon Co. R-I	29	16	45
Nell Holcomb R-IV Schools	30	14	44
Bevier C-4 Schools	30	14	44
South Nodaway Co. R-IV Schools	28	16	44
Bell City R-II Schools	32	12	44
Glenwood R-VIII Schools	27	16	43
Taneyville R-II Schools	28	15	43
Golden City R-III Schools	27	15	42
North Harrison Co. R-3 Schools	28	14	42
Linn Co. R-I Schools	30	12	42
Marion Co. R-II Schools	30	12	42
Osage County R-I Schools	31	11	42
Bradleyville R-I Schools	28	14	42
Chadwick R-I Schools	26	15	41
Cooper Co. R-IV Schools	27	14	41
Stewartville C-2 Schools	31	10	41
Grundy Co. R-V Schools	24	17	41
Kingsville R-I Schools	31	10	41
North Mercer Co. R-III Schools	28	13	41
Madison C-3 Schools	29	12	41
Lutie R-VI Schools	27	14	41
Tina-Avalon R-II Schools	26	14	40
Meadville R-IV Schools	26	14	40
Niangua R-5 Schools	31	9	40
Norborne R-VIII Schools	27	12	39
Keytesville R-III Schools	25	14	39
Dadeville R-II Schools	29	10	39
Gilman City R-IV Schools	23	16	39
SW Livingston Co. R-1 Schools	27	12	39
St. Elizabeth R-IV Schools	27	12	39
Moniteau Co. C-1 Schools	27	12	39
Fairfax R-III Schools	25	13	38

DISTRICT	PSRS	NTRS	TOTAL
North Wood R-IV Schools	23	15	38
Junction Hill C-12 Schools	24	14	38
Cooter R-IV Schools	27	11	38
Delta C-7 Schools	27	11	38
Hurley R-I Schools	26	12	38
Winston R-VI Schools	27	10	37
Atlanta C-3 Schools	24	13	37
Phelps Co. R-III Schools	18	19	37
Renick R-V Schools	17	20	37
Pattonburg R-II Schools	27	9	36
Bucklin R-II Schools	22	14	36
Northwestern R-I Schools	25	10	35
Macon Co. R-IV Schools	26	9	35
Marquand Zion R-VI Schools	26	9	35
Hardin-Central C-2 Schools	25	10	35
Ballard R-II Schools	21	13	34
Everton R-III Schools	23	11	34
Union Star R-II Schools	25	9	34
Franklin Co. R-II Schools	19	15	34
Hale R-I Schools	24	9	33
Prairie Home R-V Schools	24	9	33
Green Forest R-II Schools	18	15	33
Spring Bluff R-XV Schools	20	13	33
Bellevue R-III Schools	17	16	33
Craig R-III Schools	23	9	32
Jefferson C-123 Schools	24	8	32
Higbee R-VIII Schools	23	9	32
Breckenridge R-I Schools	18	13	31
Bosworth R-V Schools	22	9	31
North Daviess Co R-III Schools	21	10	31
Pettis Co. R-XII Schools	22	9	31
Newtown-Harris R-III Schools	18	13	31
Success R-VI Schools	18	13	31
Osborn R-O Schools	24	6	30
Ridgeway R-V Schools	19	11	30
Chilhowee R-IV Schools	22	8	30
Ripley Co. R-IV Schools	18	12	30
Richwoods R-VII Schools	18	12	30
Leopold R-III Schools	19	10	29
Cainsville R-I Schools	17	12	29
Westview C-6 Schools	18	11	29
Malta Bend R-V Schools	21	8	29
Hume R-VIII Schools	19	9	28
Strasburg C-3 Schools	17	11	28
East Lynne Public Schools	19	9	28
Oak Hill R-I Schools	17	11	28
Pleasant View R-VI Schools	17	11	28
Howell Valley R-I Schools	16	11	27
Avilla R-XIII Schools	15	12	27
Stet R-XV Schools	18	9	27
Ripley Co. R-III Schools	16	11	27
Skyline R-II Schools	13	12	25
Raymondville R-VII Schools	15	10	25
Blackwater R-II Schools	14	9	23
Montrose R-XIV Schools	15	8	23
Pemiscot Co. R-III Schools	14	9	23
Centerville R-I Schools	11	11	22
Miami R-I Schools	14	8	22
Livingston Co. R-III Schools	11	10	21
Clarksburg C-2 Schools	15	6	21
Leesville R-IX Schools	11	9	20
Plainview R-VIII Schools	9	10	19
Laredo R-VII Schools	12	7	19
Gasconade C-4 Schools	14	5	19
Manes R-V Schools	9	10	19
Thornfield R-I Schools	12	6	18
Cowgill R-VI Schools	11	6	17
Revere C-3 Schools	11	6	17
Davis R-XII Schools	6	11	17
Altenburg 48 Schools	10	7	17
Gorin R-III Schools	9	8	17
Avenue City R-IX Schools	12	4	16
High Point R-III Schools	9	7	16
Moniteau Co. R-V Schools	9	7	16
Mark Twain R-VIII Schools	10	6	16

DISTRICT	PSRS	NTRS	TOTAL
MO State Teachers Association	16		16
Kingston Public Schools	10	5	15
Callao C-8 Schools	10	5	15
Kelso C-7 Schools	11	4	15
Middle Grove C-1 Schools	8	5	13
Holliday C-2 Schools	8	5	13
Swedeborg R-III Schools	8	5	13
Hardeman R-X Schools	7	6	13
New York R-IV Schools	7	5	12
Wyaconda C-1 Schools	7	5	12
Strain-Japan R-XVI Schools	8	4	12
Spickard R-II Schools	8	4	12
Shawnee R-III Schools	8	4	12
Mirabile C-1 Schools	8	3	11
Luray 33 Public Schools	5	6	11
Boncl R-X Schools	7	4	11
Roscoe C-1 Schools	7	4	11
Orearville R-IV Schools	7	4	11
Missouri City Public Schools	4	5	9
Hudson R-IX Schools	5	3	8
Gilliam C-4 Schools	6	2	8
MO High School Act. Assoc.	5	0	5
Missouri Council of School Admin.	0	5	5
Southwest MO State University	4	0	4
Division of Youth Services	2	0	2
Truman State University	2	0	2
MO Southern State College	1	0	1
Department of Corrections	1	0	1
Harris-Stowe State College	1	0	1